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Semi-Annual Report to Congress for the Period of April 1, 1981 to September 30, 1981

Abstract

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Keywords

Office of the Inspector General, Department of Labor, audit, employee integrity, fraud, Congress

Comments

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Semiannual Report of the Inspector General



U.S. Department of Labor
Office of Inspector General

April 1, 1981-September 30, 1981



SEMIANNUAL REPORT
APRIL 1 - SEPTEMBER 30, 1981
OFFICE OF INSPECTOR GENERAL
U.S. DEPARTMENT OF LABOR

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PREFACE

This is the sixth semiannual report of the U.S. Department of Labor, Office of Inspector General (OIG), submitted pursuant to the requirements of the Inspector General Act of 1978. The report covers the period from April 1, 1981 through September 30, 1981. During this reporting period, we closed 339 investigations, and issued 255 audit and loss prevention reports. Our audit work during the period resulted in \$78 million in questioned costs and costs recommended for disallowance. Our investigative work during the period, including program fraud, employee integrity, and organized crime and labor racketeering investigations, resulted in 114 indictments and 55 convictions.

Audit Resolution

Perhaps the most significant single accomplishment during this period has been the resolution of \$301 million in audit findings, resulting in the disallowance of \$103.8 million. This backlog of unresolved audits had accumulated over a period of years. The failure in the past to resolve these audits in a timely fashion had been a source of great concern to the Office of Inspector General. The personal attention and leadership given to this issue by Assistant Secretary Angrisani was a critical factor in the resolution of these audits. Policies are now in place to ensure prompt resolution of all future audit findings.

Inspector General Priorities

Historically, the Office of Inspector General has devoted the great majority of its audit and investigative efforts to Comprehensive Employment and Training Act (CETA) programs. During this reporting period, we have given greater emphasis to other areas of vulnerability to fraud and waste in the Department's programs--most notably the Federal Employees Compensation Act (FECA) and Black Lung programs of the Office of Worker's Compensation Programs (OWCP), Employment Standards Administration (ESA). Those initiatives, and the problems we found, are described in the ESA section of the first part of the report. We have made recommendations for administrative and legislative action to help reduce fraud and waste in these programs. I have been very encouraged by the attention and effort given by Deputy Under Secretary Collyer to these anti-fraud and waste efforts in the worker's compensation programs.

We will continue, as our resources permit, to further expand our activities to other major areas, such as unemployment insurance and the regulatory programs of the Department, including the Mine Safety and Health Administration, Labor-Management Services Administration, Occupational Safety and Health Administration and the Office of Federal Contract Compliance Programs.

Inspector General Resources

The Office of Inspector General has a total of 432 staff members. Of these, 87 are assigned to the anti-organized crime and labor racketeering program, working with the Organized Crime Strike Forces of the Department of Justice. This leaves our effective strength to carry out the anti-fraud and waste responsibilities of the Inspector General Act at 345 persons. Of this number, 157 are auditors, 88 are investigators, and 32 are program analysts. In addition, for Fiscal Year 1981, we had \$13.8 million for contract audits. These funds have been used almost exclusively for CETA audits. As we attempt to provide greater coverage of the many non-CETA programs of the Department, we are severely limited by our resource levels. Secretary Donovan and Under Secretary Lovell have been very attentive to this resource problem. It is important that the concerned committees of Congress are aware that the present resources are not sufficient to provide the level of coverage, which, in my view, is necessary to do a proper job of preventing and detecting fraud and waste in the Department's programs and operations.

Mandated Responsibilities

During the last two years, an increasing number of mandated responsibilities have been placed upon the Office of Inspector General by Congressional action and OMB directives. For example, we are required to conduct an annual audit of end-of-year spending; to review the Department's annual procurement plans; to

review the Department's compliance with the Federal Procurement Data System; to review sole source contracting practices; to carry out cognizant agency responsibilities under the "single audit" requirements of OMB Circular A-102, Attachment P; to audit the trust fund of the Longshore and Harbor Worker's Compensation program; to report on debts and debt collection; and to meet many other requirements. While each of these covers an important area, the unintended result has been to affect greatly Inspector General resources. This necessarily affects the time and depth of attention we can give to fraud and waste issues in departmental administration, and in such programs as CETA, unemployment insurance, worker's compensation and other very large dollar activities of the Department. Congressional review of the collective impact of these mandated requirements on the Offices of Inspector General would be desirable.

Line Item Budget

A complicating factor in addressing the true resource levels and requirements of the Office of Inspector General has been the absence of a separate line item budget for this Office. Presently, our budget is a part of the Departmental Management account. I recommend that the budget for the Office of Inspector General be reported as a separate line item so that the Department, OMB and the Congress are better informed about and better able to address the resource needs of the Office of Inspector General.

Law Enforcement Authorities

A total of 168 special agents assigned to the Office of Inspector General routinely conducts criminal investigations involving major organized crime and labor racketeering matters, complex white collar crime fraud cases and serious employee integrity cases. These agents, while "criminal investigators" and so classified under the civil service system, are not authorized to exercise basic law enforcement responsibilities (i.e., to execute search and arrest warrants, to make arrests, to pay informants) and do not have the concomitant authority to carry firearms. This causes problems, such as loss of evidence due to our inability to make arrests or effect seizures; inability, in some situations, to work undercover or to protect adequately informants operating undercover; difficulty in achieving the fullest level of cooperation from other federal, state, and local agencies; and finally -- and of most concern to me -- the inability of special agents to protect themselves when conducting potentially dangerous investigations. I recommend that special attention be given to the need of Office of Inspector General special agents for such law enforcement authorities.

* * *

I have been Inspector General at the Department of Labor since July 18, 1981. It has been a busy time. Managing the ongoing audit and investigative work, addressing internal management

issues and morale, and, most importantly, expanding our work to provide better prevention and detection of fraud and waste, have been challenging tasks. I would like to note that Secretary Donovan and Under Secretary Lovell have been extraordinarily attentive and supportive of the work of the Office of Inspector General and of me personally. With their support and the support of the other officials of the Department, I am convinced that there will be continual improvement in reducing the level of fraud and waste and improving the level of economy and efficiency in the programs of the Department of Labor.

I wish to especially thank the employees of the OIG -- the auditors, investigators, analysts, technical specialists and support staff -- who bring such dedication and skill to their work. Without them, the accomplishments reported in this document could not have been achieved.

Thomas F. McBride
Inspector General

EXECUTIVE SUMMARY

This semiannual report is organized into four parts and the appendices. Part I is divided into Department of Labor program areas and describes significant problems, abuses, and deficiencies and recommendations for corrective action. Part II is organized by OIG office and provides information about audit and investigative activities and major accomplishments. Part III contains information about inquiries and complaints received by the OIG Complaint Center. Part IV provides information about money owed to the Department of Labor. The appendices contain audit resolution data and a list of all audit reports issued during the reporting period.

Following is a summary of the highlights of this report.

Significant Problems, Abuses or Deficiencies and Recommendations for Corrective Action

- Deficiencies in FECA Claims Management

A major review of 1,810 FECA claimants in the Atlanta Region identified inadequate efforts by OWCP to detect unreported income and insufficient efforts by employing agencies to meet FECA requirements. Thus far, our work has resulted in DOL terminating or suspending benefits to 62 claimants, which will yield annual savings of \$572,000. Other cases are still under review. In

addition, 119 criminal investigations were initiated; and the project has recently been expanded to a nationwide effort.

- FECA Medical Provider Fraud

OIG investigations have disclosed that false FECA claims have been fraudulently submitted by medical providers and that FECA has not used debarment as an effective means of reducing this practice. The OIG has recommended that the penalty for filing false claims be increased from a misdemeanor to a felony and has proposed debarment authority for FECA.

- Black Lung Program System Deficiencies and Overpayments Problem

As a result of two major loss prevention studies, the OIG found an estimated \$36 million in Black Lung unrecovered overpayments and \$44 million in improper payments from 1973 to 1980. Serious computer and internal control weaknesses were identified, and we concluded that insufficient priority was given by the program to loss prevention and control. Recent efforts by ESA management to address Black Lung program deficiencies are discussed.

- Audit Resolution

One of the most significant accomplishments has been the virtual elimination of the Department's backlog of unresolved audit findings. At the beginning of this reporting period, 794 audit

reports remained unresolved with outstanding audit findings of \$303 million. Through an intensive Departmental effort \$301 million, including \$8 million of costs questioned during the current reporting period, has now been resolved, resulting in \$103.8 million entering the debt collection process. Further, a number of policies and procedures have been established to help ensure that audit resolution problems do not recur.

- Inadequate Financial Management and Internal Controls at CETA State and Local Prime Sponsors and Their Subgrantees

During this six-month period, amounts questioned in audit reports resulting from these deficiencies total \$35 million. A recent audit of CETA's cash management system confirmed that CETA recipients have failed to provide effective control over grantee cash balances and included a number of recommended corrective actions.

- Continuing Problem of Ineligible Participants in CETA

Audits and investigations continue to show ineligibility as a major problem in CETA. During this reporting period, over \$20 million was questioned due to possible ineligible participants. An OIG study of CETA's eligibility determination and verification system, which recommended various corrective actions, was completed.

- OIG Activities Related to ONP Contracting

The OIG is focusing audit and investigative attention on procurement practices in ETA's Office of National Programs.

Actions by ETA to prevent contracting problems, particularly in the area of sole source procurement, are also discussed.

- Weaknesses in the Approval and Certification of Mine Safety Products

A recent audit of MSHA's Approval and Certification Center, which is responsible for mine safety equipment approval and quality assurance, found a large backlog of unprocessed product approval applications, poor operating procedures, and an ineffective quality control program. We made various recommendations to alleviate these problems, including the use of third-party independent laboratories to evaluate and test less-hazardous mining products.

OIG Activity Data

- Office of Investigations

There were 50 indictments and 30 convictions based on our investigations. Fines, recoveries, savings, and collections resulting from investigations totaled about \$4 million.

- Office of Audit

We issued 250 audit reports on DOL programs. Of the \$4.5 billion audited, we took exception to \$78 million due primarily to improper financial management practices and inelidable participants.

- Office of Loss Analysis and Prevention

Four final loss prevention reports were issued. They concerned Black Lung program vulnerability and loss assessment, FECA benefit programs, and CETA's eligibility determination and verification system.

- Office of Organized Crime and Labor Racketeering

Based on our investigations, 64 persons were indicted during the last six months and 25 convictions were obtained.

Among the more significant are:

- The indictment of three officers of the United Seafood Workers Local 359 and five employers for extortion and prohibited employer payments arising out of labor racketeering activities in the Fulton Fish Market in New York City;
- the prosecution in Delaware of six persons in a nationwide labor-leasing scheme that circumvented Teamster union contract requirements, with the principal defendant sentenced to 20 years imprisonment;
- the recent indictment of an international vice president and the president of a local union of the Distillery, Wine and Allied Workers International Union on charges of embezzling \$100,000;

- two recent related indictments of 21 defendants including Anthony Accardo, Santo Trafficante, Raymond Patriarca and the president and secretary-treasurer of the Laborers International Union on charges of racketeering violations involving a pattern of insurance kickback schemes totaling over \$3 million.

PART I
SIGNIFICANT PROBLEMS, ABUSES OR DEFICIENCIES
AND RECOMMENDATIONS FOR CORRECTIVE ACTION

EMPLOYMENT STANDARDS ADMINISTRATION

The Employment Standards Administration (ESA) through its three component offices -- the Office of Workers' Compensation Programs (OWCP), the Office of Federal Contract Compliance Programs (OFCCP) and the Wage and Hour Division -- provides workers' compensation to those injured on their jobs, requires federal contractors and subcontractors to provide equal employment opportunity, and administers laws and regulations setting employment standards. During Fiscal Year 1981, ESA was budgeted for \$1.23 billion. The largest portion of the ESA budget is expended for the payment of benefits under the Federal Employees' Compensation Act (FECA) and the Black Lung Programs, both under the Office of Workers' Compensation Programs.

Office of Workers' Compensation Programs (OWCP)

OWCP encompasses all three workers' compensation programs--the Division of Federal Employees Compensation (FECA), the Division of Coal Mine Workers' Compensation (Black Lung), and the Division of Longshore and Harbor Workers' Compensation (Longshore). During Fiscal Year 1980, over \$784 million was paid in benefits under FECA and \$660.5 million under Black Lung. Under the Longshore program, \$294 million was paid in benefits during calendar year

1980, virtually all of which was paid by private insurance carriers and self-insured companies. Recent OIG work related to ESA programs has been concentrated almost exclusively on FECA and Black Lung.

Federal Employees Compensation Act (FECA) Program

The FECA Program pays benefits to federal employees and other covered workers who incur disability or disease through on-the-job injury or exposure. During Fiscal Year 1980, over \$784 million in compensation and medical payments were made to over 288,000 long-term and temporary disability claimants. For Fiscal Year 1981, payments are expected to reach \$856 million for approximately 281,000 claimants. FECA has grown from a payment level of \$190 million in Fiscal Year 1972 to \$984 million projected for Fiscal Year 1982.

The major problems identified in the FECA program are deficiencies in claims management, inadequate attention to safeguards in bill payment operations, and vulnerability to medical provider fraud.

- Claims Management Deficiencies

Deficiencies in the management of claims by claims examiners is a significant problem in FECA and has received OIG investigative attention during this reporting period. A project initiated by OIG in the Atlanta Region, in response to numerous allegations of

fraud, waste, and abuse in the program, identified unreported income and inadequate ongoing case file review as significant problems.

The project's objectives were to identify the following:

- FECA long-term disability cases that should be reviewed for possible reduction or termination of benefits as a result of unreported income;
- areas of administrative and procedural deficiencies that need correction;
- possible instances of fraud for further investigation; and
- areas for possible administrative, regulatory, or legislative initiatives.

The Atlanta Project began in November 1980 and involved the participation of seven other agencies (the Veterans Administration, the Postal Inspection Service and the Departments of Navy, Air Force, Health and Human Services, Agriculture and Transportation). These agencies are among the employers of the largest number of FECA claimants.

The project involved the development of a profile of a high-risk claimant likely to have received overpayments or other unentitled benefits. This profile was run against the periodic roll of claimants in the Atlanta Region. The periodic roll consists of

those claimants receiving long-term disability compensation on an automatic basis without the requirement of an individual claim for each compensation payment.

This process identified approximately 3,000 claimants who met the criteria of the profile, of whom 1,810 were identified as originally having been employed by the participating agencies. A comparison was then made of these claims with records of wages paid by private employers in the states within the region to determine whether or not income or wages had been reported to the state unemployment offices for these claimants.

The 1,810 claimant files then were reviewed individually to identify those that warranted further investigative or administrative attention to determine if the claimant had unreported income and the extent of the claimant's ability to earn wages when disability lessens (wage earning capacity) and to assure that current medical evidence supported continuing benefits.

The project disclosed a number of administrative shortcomings in the processing and management of claims, most notably:

- Insufficient analysis of files by claims examiners as indicated by medical evidence inconsistent with the injury;
- lack of follow-up on requests for medical reports and lack of referrals for impartial medical examinations;

- inadequate efforts to detect unreported income;
- insufficient or conflicting information in files;
- inadequate investigation of injuries by employing agencies;
- inadequate follow-up by employing agencies to help control compensation costs; and
- inadequate attempts to rehabilitate and re-employ injured employees.

As a result of the initial review, approximately 135 of the 1,810 files reviewed were identified as needing additional investigation by the employing agency and 827 files were referred to OWCP for follow-up attention due to identified administrative discrepancies. To date, OWCP has terminated or suspended benefits to 62 claimants resulting in savings of \$572,000 annually. As a result of the project, 119 criminal investigations have been initiated, and additional cost savings will be identified when the cases are completed.

The results of the Atlanta Project have led to the expansion of the project to all regional offices. This national FECA project began in August 1981.

The degree of cooperation and support of the seven agencies participating in our investigative projects has demonstrated that employing agency participation is crucial to reducing the costs of

the program through the elimination of fraudulent claims. With some exceptions, employing agencies do not give adequate attention to their responsibilities under the FECA program.

Several cases investigated by OIG during the period of this report support the finding that there is inadequate effort on the part of OWCP to detect unreported employment by FECA claimants during the period that compensation is paid. With the exception of scheduled awards (i.e., fixed, lump-sum, or term-payments), FECA claimants may not be employed while receiving compensation. Examples of related cases follow.

- A former postal worker was charged in a 14-count indictment with collecting disability payments for an alleged injury at the Philadelphia Post Office. During the time he was collecting payments, from 1977 through 1980, he was a full-time employee with another organization and his duties included such things as instructing and participating in basketball and swimming. (United States v. Branson, Eastern District of Pennsylvania)
- An air traffic controller, disqualified for duty due to work-related stress, was found to be employed as a tractor trailer driver, while certifying to OWCP that he was not employed. The claimant was indicted and plead guilty to two

counts of making false statements in order to continue his disability benefits. He received a suspended sentence and signed a promissory note to repay \$52,096 at 12 percent interest. (United States v. Whitehead, Northern District of Georgia)

- A general machinist at Brookley Air Force Base in Mobile, Alabama, sustained a back injury in 1954 and was medically disqualified from performing his duties. He was receiving total disability benefits from OWCP at the rate of \$864 every four weeks. An investigation showed that the man had been involved in construction work since 1973 and had falsified reports to OWCP concerning his employment. He was indicted in August 1981 on four counts of making false statements, including false statements to obtain Federal Employees' Compensation. (United States v. Dawsey, Southern District of Alabama)

- Inadequate Attention Paid to Safeguards in Bill Payment Operations

The payment of medical bills under FECA has been automated since 1978 with approximately \$119 million paid during Fiscal Year 1981. Despite controls designed to minimize losses through fraud and erroneous payments, we have found that inadequate attention is paid to safeguarding bill payment operations. As a result of an

embezzlement in the bill payment operation in FECA District Office 25, we conducted a loss vulnerability assessment of operations in six FECA district offices. The areas reviewed were bill payments, claims processing, manual compensation payments, mail and file operations, and computer security.

Significant problems in the bill payment system include:

- The lack of standard fee guidelines for amounts approvable for medical fees;
- the lack of separation of functions in the bill payment area, i.e., the person who approves the payment also issues the payment;
- inadequate supervisory review of bills approved for payment to ensure quality and prevent fraud; and
- inadequate verification of whether medical services were actually provided.

- Medical Provider Fraud

During the reporting period, OIG special agents participated in several joint investigations in the area of medical provider fraud; two are described below.

- A physician was indicted on 96 counts in an insurance and mail fraud scheme in which he is alleged to have received \$2 million in payments for false claims. One-third of the counts involved fraudulent FECA claims such as billing FECA

over \$123,000 for treating one claimant for two on-the-job injuries between 1975 and 1979 when the injuries resulted in less than five weeks loss from work. In September 1981, a \$500,000 settlement was reached to be divided between the Departments of Labor (to receive \$286,000) and Health and Human Services. (United States v. Kones, Southern District of New York)

- A physician plead guilty to one count of mail fraud and one count of filing a false claim to the Federal Government that was related to a false FECA claim. The physician was placed on probation for three years, fined \$9,000 and ordered to spend 250 hours in community service employment. (United States v. Dent, District of Columbia)

We are expanding our investigative work in this area and are exploring joint efforts with other federal agencies to better control medical provider fraud.

- Legislative Changes

In the draft bill, Federal Employees' Reemployment Compensation Amendments of 1981, the Administration has proposed changes in the current FECA legislation. The major changes proposed include:

- Setting the new compensation rate at 80 percent of pre-disability spendable income and eliminating augmentation for dependents in order to provide claimants with a greater monetary incentive to return to work;
- replacing Continuation of Pay provisions with a seven-day waiting period before a claimant can receive compensation, thus reducing the number of minor claims;
- requiring the conversion of workers from FECA to the retirement disability rolls at age 65; and
- establishing compensation for a scheduled award injury (e.g., loss of a toe) as a lump-sum amount, separate from any appropriate disability compensation, thereby eliminating the current inequities that result from basing the scheduled award amount on salary and not allowing disability compensation during the scheduled award period.

OIG has recommended two additional changes to the legislation:

- the debarment from participating in FECA of those medical providers who have engaged in certain types of misconduct; and
- increasing the FECA criminal penalty from a misdemeanor to a felony for submitting false statements to obtain benefits, filing false reports, or willfully withholding reports.

Black Lung Benefits Program

The Black Lung Benefits Program, managed by ESA's Division of Coal Mine Workers' Compensation Programs (DCMWC), pays benefits (monthly compensation payments and medical diagnostic and treatment costs) to coal miners who are totally disabled from pneumoconiosis (black lung) arising from their coal mine employment.

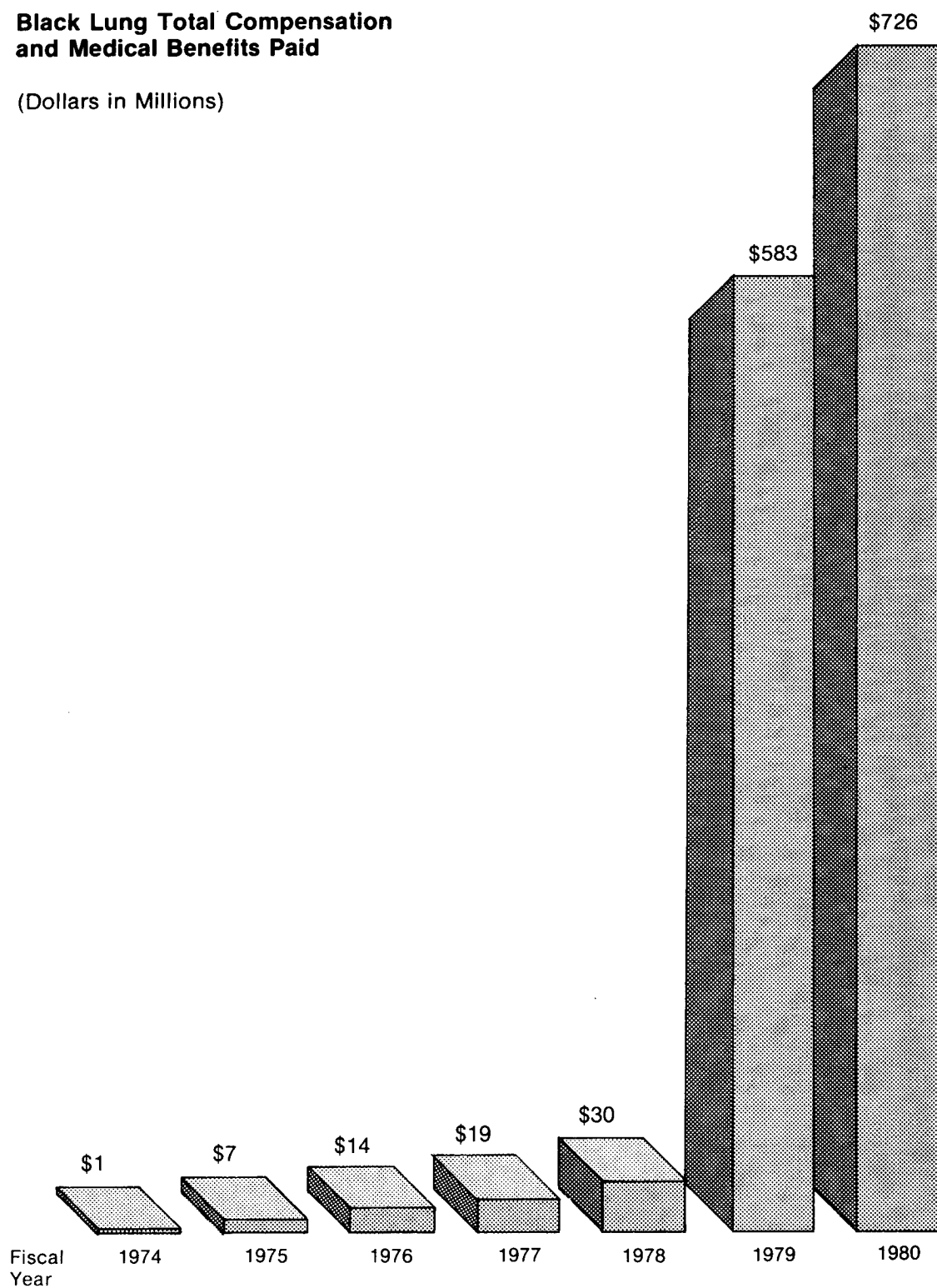
In 1973, the administration of the program was transferred to the Department of Labor from the Social Security Administration (SSA) under Part C of the Federal Coal Mine Health and Safety Act of 1969. Part B of the Act continues to be administered by SSA.

The 1977 Federal Mine Safety and Health Act, in changing the standards for determining disability, called for the payment of benefits either from a Trust Fund (when the miner's last coal mine employment was before January 1, 1970) or by the responsible coal mine operator (RO), if identifiable, when the miner's last coal mine employment is on or after January 1, 1970.

The changes in the program resulting from the enactment of the 1977 amendments caused a rapid and significant expansion in the program as shown in the chart on the following page.

Black Lung Total Compensation and Medical Benefits Paid

(Dollars in Millions)



Note: The graph does not reflect the \$6,132,000 paid during the three month fiscal year transition period, July 1 through September 30, 1976.

Fiscal Year 1979 and Fiscal Year 1980 payments include lump-sum retroactive payments for claims re-examined pursuant to the 1977 amendments.

During the reporting period we conducted two studies of the Black Lung Program. The first of these efforts was directed at identifying systemic vulnerabilities to loss existing in the program's payment procedures and processes. Through an evaluation of existing legislative and regulatory provisions, documentation of procedures and processes, and the observation and analysis of actual operations in selected offices, major deficiencies that could lead to resource loss were identified and recommendations for corrective action were developed.

In the second study, OIG staff reviewed and evaluated the actual operation of the Program's automated claim tracking and benefit and medical bill payment systems. Automated records were then searched for payments having characteristics indicating a potential loss (e.g., duplicate payment of benefits to the same claim or for the same medical service, payments for dependents over the age of eligibility, and payments to persons having invalid social security numbers). Overpayments identified in this way were compared to recoveries, and estimates of historical and continuing loss were prepared together with recommendations for corrective action.

A total of 64 deficiencies in payment procedures, automated system operations and data base content, maintenance, and management were identified in these two studies. These deficiencies can be attributed to three major problems found by both studies:

inadequate management priority given to the identification and prevention of loss, deficient computer systems, and poor internal controls.

Our examination of automated payment records found evidence that these deficiencies have resulted in estimated loss, through unrecovered overpayments, of \$35.6 million (2.6 percent of all payments) from Black Lung systems. This includes a \$33 million loss from benefit payments between July 1973 and November 1980, continuing at a rate of \$9.2 million annually; and a \$2.5 million loss from medical payments between January 1977 and November 1980, continuing at a rate of \$1.6 million annually.

Our analysis of the computer data showed:

- 35,065 duplicate payments for medical services;
- benefit payments to 1,033 claimants, and 1,047 payments for medical services recorded as having been performed, after the date of death recorded for the claimant;
- 68 claims receiving monthly benefit payments and 418 cases where medical payments were made by the program after the responsible mine operator had assumed responsibility for the claim;

- 9,759 claims reflecting benefit payments in excess of maximum limits;
- 3,670 claims reflecting payments for dependents who had exceeded the age of eligibility; and
- approximately 210 claims receiving multiple monthly benefit payments.

Our evaluation of the automated data also revealed that basic payment control mechanisms were not routinely applied in generating payments. We also found \$44.3 million in payments (3.2 percent of the total) made without consideration of basic validation criteria (approximately \$9 million of this amount is also reflected in the overpayment amounts above). Deficiencies in procedures for processing and entering data into the automated systems and the lack of internal controls and automated computer checks have contributed to this problem.

Although the time period considered was from 1973 to 1980, 95 percent of all payments were made by the Black Lung Program during 1979 and 1980. While we had planned to support our computer analysis through an examination of case files, the agency delayed nearly two months in granting access to the case files. Given the seriousness of the problems disclosed by our computer analysis and

the need for prompt corrective action, we decided to issue our report based on the analysis of the automated systems data. We have completed a review of some case file materials (limited to a sample of medical payments as a result of resource constraints). The results of that review will be reported in the next semiannual report. Preliminary results indicate, however, that our analysis of the automated systems may have substantially understated the actual level of resource loss.

Recommendations in our reports outline specific steps to be taken to alleviate current problems and to avoid future problems.

- Inadequate Attention to the Identification and Prevention of Loss

Our studies found a lack of priority given to the identification of current losses and the prevention of future losses on the part of Black Lung Program management. For example, until recently, no budget or planning document had evidence of any specific commitment of resources to any objective not directly related to increasing the speed of processing claims and issuing payments.

We are aware of the demands placed upon the program by the 1977 amendments to the Act. However, many of the deficiencies that led to the loss discussed above could have been easily prevented

without the commitment of extensive resources and without the use of sophisticated technical expertise.

For example, shortly after the initiation of the OIG studies, the program implemented a new computer check in the automated payment systems that has eliminated approximately \$50,000 per month in duplicate benefit payments. This procedure required only 12 lines of computer program language. Unfortunately, the effectiveness of this check was diminished by the fact that the listing of deleted payments was not forwarded to claims processors, who may have reissued some of these payments manually.

A further indication of the lack of attention to controls over payments is that some of the same problems identified in the two OIG studies were reported in a 1979 study by the Secretary of Labor's Management Improvement Committee. There was no evidence of actions to correct those deficiencies at the time of the OIG work.

Finally, it must be noted that although many of the states with large concentrations of Black Lung benefit recipients have state programs compensating individuals for black lung, only 300 out of the 74,000 monthly benefit recipients had offsets for state compensation reflected in their records. Also, at the time of our studies, the program was not aggressively pursuing the

identification and assignment of responsibility for payment of claims by responsible mine operators.

Several recommendations relating to this lack of management commitment to the identification and prevention of loss are contained in the studies, including the establishment of a permanent loss control unit reporting to the Director of OWCP.

- Computer System Deficiencies

In our view, a major contributing factor to most of the payment system vulnerabilities and resultant loss is the lack of a unified computer system incorporating sufficient edit, control, and security procedures to ensure the integrity of program data and an accurate accounting of payments. The Black Lung automated systems operating at the time of our studies were virtually independent of each other, with only limited on-line capability for the verification and reconciliation of data among the systems, and had only limited, and easily by-passed, data integrity and payment control procedures.

Our studies found that both the claim processing procedures and the automated systems were incapable of properly responding to the massive increase in workload engendered by the 1977 amendments. The program failed to recognize the magnitude of the problems

created by these deficiencies for at least a year or more and failed to act effectively to correct them once they were recognized.

We have recommended a large-scale redesign of the Black Lung Program's computer systems. In addition, the problems identified in our studies warrant immediate interim action to correct existing system deficiencies.

These include changes to allow periodic reconciliation of data entry, data modification, and automated record creation against authorized levels; collection of additional data sufficient to provide an adequate audit trail of all computer-based transactions; implementation of specifically described data checks designed to eliminate the most serious payment system deficiencies; and a comprehensive evaluation of the security of all Black Lung automated systems and data.

- Inadequate Internal Controls

The lack of effective internal controls in medical and benefit payment operations has caused major vulnerabilities in the Black Lung Program. Financial control and accounting mechanisms are so deficient that we are convinced it is impossible for the program to determine the actual amount paid to any claimant without a review of the microfilm copy of checks maintained by the Department of the Treasury.

These problems become particularly acute in the area of medical payments. One claimant, having made a decimal error in computing his travel expenses (reimbursable under the program legislation), submitted a bill for \$129.00 instead of \$12.90. Not only did program staff not identify the original error, but they also proceeded to issue a check for over \$13,000.

Even the most basic financial controls, accounting for returned checks, are so deficient that the program did not know that approximately \$30,000 in returned checks had been stolen between its mail room and payments section. Files contained copies of the returned checks; and logs, with entries made on the basis of the photocopies, reflected the returns. Even after being notified of the theft by the OIG four months ago, the program has still not initiated the cancellation procedures required for the Treasury Department to recover the funds.

Numerous recommendations were made for corrective action in this area. For example, we proposed that re-validation of payment records be initiated as soon as possible and be continued on a periodic basis; a complete evaluation of the Black Lung accounting system be undertaken; lists of individuals approved for various payment processing functions be developed; uniform criteria be established for determining acceptable treatment costs; security

safeguards be installed; and fiscal controls be implemented to insure accurate, comprehensive payment and recovery records for each individual account and for timely reporting and analysis of program fund transactions. Also, a number of improved payment screening and verification and claim maintenance procedures were recommended.

- Recent ESA Corrective Action

We would like to acknowledge recent actions taken by ESA management to address a number of the problems noted above.

First, the Deputy Under Secretary has established within his office the Internal Control Unit (ICU) for the purposes of coordinating and monitoring agency efforts to prevent losses, improving internal controls and assuring the implementation and consideration of OIG and GAO recommendations. The ICU is already examining OIG-referred complaint cases and following-up on several OIG reports. Second, the agency has proposed a substantial commitment of resources to address these problems in its Fiscal Year 1983 budget. Third, the agency has issued a request for proposals for a comprehensive claims tracking and payment service contract. Implementation of the requirements specified in the contract should result in substantial improvements in many of the identified problem areas.

These are positive indications of the willingness of the agency's top management to move aggressively to correct these problems. However, we believe that continuing attention is needed within OWCP and the Black Lung Program if these major deficiencies are to be overcome.

- Legislative Problems

In addition to the systemic problems discussed earlier, the OIG has been concerned about various statutory provisions that may have caused Black Lung program loss through improper payments or that, through eligibility provisions, may have caused payments to be made when proof of black lung could not be definitively established. The Administration has recently proposed a number of changes to the Black Lung Benefits Act that would improve operation of the program from a fraud, waste, and abuse control perspective. Several of the more significant problems are discussed below.

-- Eligibility Requirements

The 1977 amendments made a number of changes in the evidentiary and eligibility requirements for Black Lung benefits. These included changes to various special provisions, called "presumptions," that allowed surrogate criteria, e.g., number of years of coal mine employment (coupled with evidence of

respiratory impairment), to be used for benefit eligibility, instead of direct proof of black lung. The effect of these presumptions has been that miners and survivors of miners have received benefits without establishing absolute proof of black lung.

The Administration has proposed eliminating three of the presumptions: (1) the presumption that a miner with ten years of coal mine employment, who died as a result of a respiratory condition, died as a result of black lung; (2) the presumption that a miner with 15 years of coal mine employment and a totally disabling lung impairment is totally disabled due to black lung; and (3) the presumption of eligibility of survivors of miners who worked 25 years in the coal mines prior to June 30, 1971, and who died before March 1, 1978.

-- Prohibited Re-Reading of X-Rays

Current law prohibits the Department of Labor from re-reading X-rays to determine whether black lung is present when the following conditions exist:

- There is other evidence that a miner has a pulmonary or respiratory impairment;
- there is no evidence of fraud; and
- the X-ray was taken by a radiologist or qualified technician, is readable, and was read by a board-certified or board-eligible radiologist.

The most expedient way to identify an erroneous reading of an X-ray is to re-read that X-ray. The Administration's proposal would eliminate the current prohibition against re-reading X-rays.

-- Use of Affidavits for Eligibility Purposes

Under the present law, affidavits attesting coal mine employment and symptoms of black lung disability from widows and others who have a financial interest in the claim are sufficient to establish claim eligibility. This increases the potential for claim determinations based on falsified evidence.

The Administration bill proposes that, when there is no medical or other relevant evidence, these affidavits not be accepted as sufficient proof that the miner was totally disabled due to black lung. These affidavits would have to be substantiated by affidavits from others with no direct financial interest in the disposition of the claim.

-- Potential Double-Billing

Since inadequate coordination exists to preclude duplicate payments, there now exists the possibility that both the Black Lung and Medicare systems can be billed for medical payments for Black Lung claimants.

The Administration bill proposes that the initial responsibility for medical payments for black lung payments be transferred to Medicare. This would reduce possible overpayments in this area.

In addition to these provisions, we believe that stronger statutory provisions are needed to ensure that offsets with other benefit programs are made. Our studies found that offsets for state Black Lung compensation payments were reflected in only 300 out of 74,000 monthly benefit payment records; and, also, noted that this is a questionably low figure. With the exception of Part B benefits, administered by SSA, this is the only offset to Department of Labor payments permitted by the Act.

Another situation that we find particularly troublesome is that former miners, disabled from coal mine employment and receiving black lung benefits, may be employed in other, less strenuous, occupations with no offsets for earnings applied to their benefits. For example, some ex-miners currently serve as full-time MSHA mine inspectors. While we support efforts to occupationally rehabilitate and employ disabled miners, we feel that for periods of time during which ex-miners are gainfully employed, offsets for earnings should be applied to black lung benefits.

In addition to these legislative issues, we are troubled by Section 725.542 of the Black Lung regulations that states that no recovery of an overpayment will be made in any case where the recipient is without fault and recovery would defeat the purposes of the Black Lung Reform Act or "be against equity and good conscience."

Program staff have interpreted this provision to mean that the Act prohibits recovery of overpayments resulting from administrative error when the recovery would impose a "hardship" on the recipient. We do not believe that the program is requiring enough evidence to support a hardship claim. We believe that the standards set forth in the Federal Claims and Collection Act of 1966 provide a more concrete basis for making such decisions and urge that these standards be rigorously applied and that complete documentation of hardship be obtained prior to any waiver of government recovery rights.

EMPLOYMENT AND TRAINING ADMINISTRATION

The Employment and Training Administration (ETA) budget authority for employment and training programs for Fiscal Year 1981 was \$28.8 billion, including the Unemployment Insurance Trust Fund. The Unemployment Insurance Trust Fund was budgeted for \$18.8 billion and the Comprehensive Employment and Training programs were budgeted for \$7.6 billion. The remaining funds were for other ETA activities, such as federal unemployment insurance programs and programs for older Americans.

CETA Grants to State and Local Prime Sponsors

The largest of the employment and training programs administered by ETA are those authorized by the Comprehensive Employment and Training Act of 1973 (CETA) and subsequent amendments to that Act. CETA grants to state and local prime sponsors in Fiscal Year 1981 amounted to approximately \$5.9 billion. ETA estimates the Fiscal Year 1982 expenditures at about \$3.3 billion.

The general purposes of the programs funded by these grants are to provide work training and work experience to the disadvantaged, unemployed, and under-employed. The 1973 Act, as amended, provides that these programs be funded by direct grants to prime sponsors (now 478), which consist of state and local governments with populations of 100,000 persons or more, who are responsible for tailoring the programs to meet local needs.

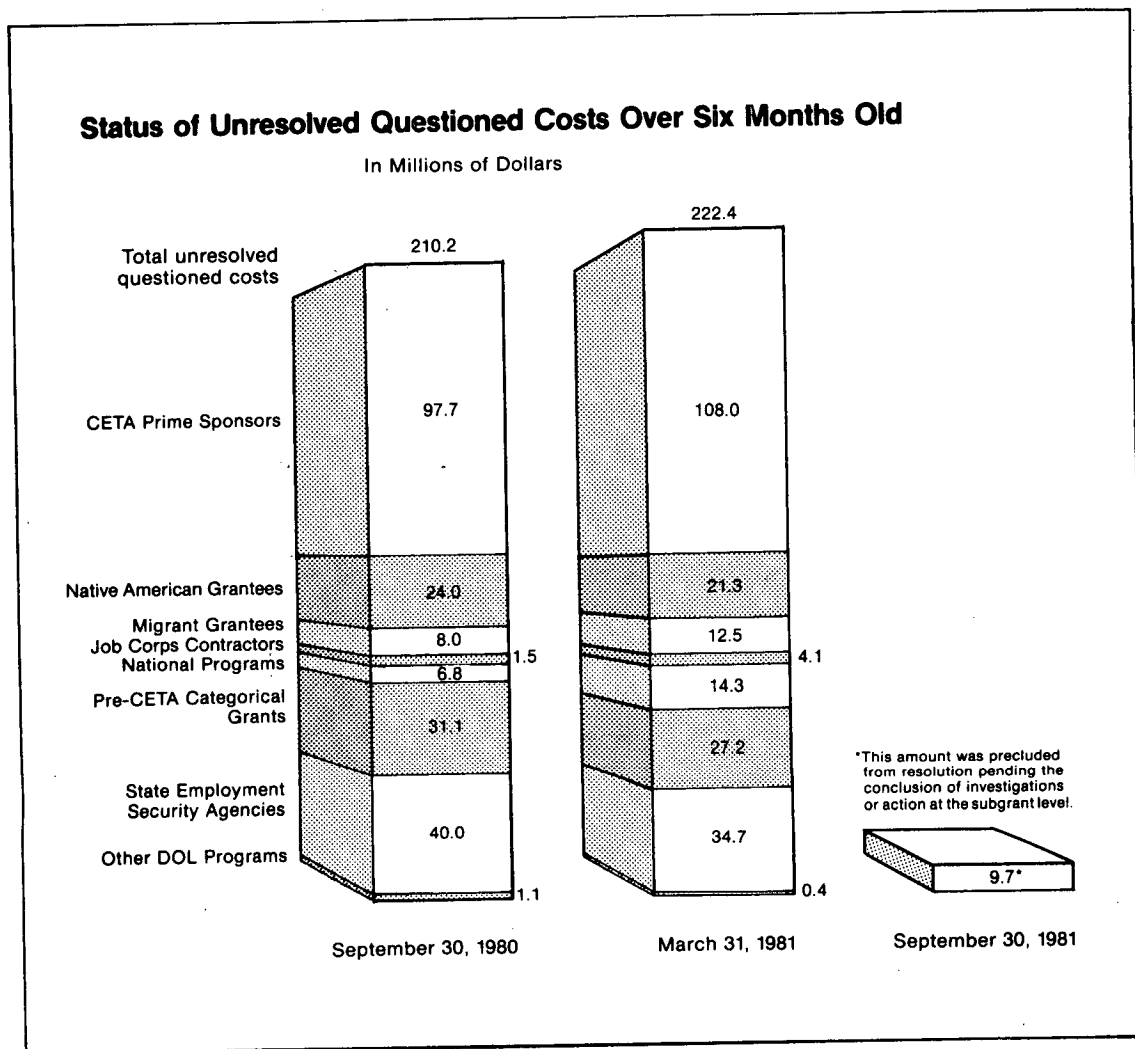
For the past several years, we have conducted more audits and investigations of CETA prime sponsors than of any other single program in the Department. During this reporting period, we have continued our intensive audit and investigative coverage. The following is a description of some of the problem areas identified by OIG activity and our recommendations for corrective action. A detailed presentation of audit data is contained in the OIG Activities Section.

- Resolution of Audit Findings

In past semiannual reports we described the problem of the increase in the number of unresolved audits. As of March 31, 1981, the backlog of unresolved audits over six months old was 794 reports containing unresolved audit exceptions of \$303 million. Some of these reports had gone unresolved for as long as nine years. ETA accounted for about 97 percent of the Department's open audit findings.

In January 1980, a grant and audit closeout task force was established to close out grants and contracts, to collect debts owed to the Department of Labor, and to provide technical assistance to grantees and contractors. In July 1981, this task force combined efforts with an adjunct task force, and nearly all resources were redirected solely to eliminate the unresolved audit

backlog. As of September 30, 1981, the Department's backlog had been eliminated, with the exception of eight reports, the resolution of which was precluded either by active investigations or by ongoing resolution activity at the subgrantee levels. This is illustrated in the following chart.



In addition to resolving the audit reports issued prior to March 31, 1981, 51 new audit reports issued during the current six month period were resolved, bringing the total amount resolved during this reporting period to \$301 million (836 reports). Of the \$301 million resolved, grant officers have disallowed \$103.8 million (34 percent). This amount has now entered the debt collection process.

Illustrative of the magnitude of this accomplishment, our audit resolution campaign has resulted in a seven-fold increase in the rate of audit resolutions -- \$301 million resolved in the past six months (\$50 million per month) compared with \$164 million resolved in the preceeding two years (\$7 million per month). This is shown in the following table. More detailed statistics are provided in the Appendix.

Audit Resolution Activity (dollars in millions)	
<u>Six Month Reporting Period Ending</u>	<u>Dollars Resolved</u>
September 30, 1979	\$ 15.0
March 31, 1980	26.6
September 30, 1980	56.6
March 31, 1981	66.9
September 30, 1981	301.0

This major financial management accomplishment has been achieved as a result of the strong commitment to audit resolution by ETA management. ETA, working closely with OIG, reallocated priorities to provide sufficient staff resources for the project.

Efforts taken by the Department to resolve the audit backlog and to install an effective permanent system for audit resolution include:

- Procedures to resolve differences between auditors and program managers that arise during the development and resolution of audit reports,
- automated systems to record and track the resolution of audit disallowances through collection or final disposition,
- training for grant officers and their technical support staffs in audit resolution, and
- inclusion of audit resolution requirements in the Senior Executive Service performance standards of program managers.

- Debt Collection

ETA has taken several steps to improve debt collection in the agency, including establishing an accounts receivable system to track debts to final resolution and incorporating debt collection as an SES standard for program managers. In addition, ETA has

developed a plan of action, in accordance with OMB Bulletin 81-17, that includes basic goals and milestones for improvements in the area of debt collection. A training program on debt collection has been developed for prime sponsors, so that they can better resolve problems in this area with their subgrantees. Prior to Fiscal Year 1981, ETA had collected \$6.2 million in debts in the entire eight year history of the CETA program. By contrast, during the first nine months of Fiscal Year 1981 alone, ETA collected \$8.1 million.

- Ineffective Monitoring of Grantees and Subgrantees

Recipients of CETA grants (prime sponsors) award subgrants to approximately 40,000 subgrantees or program service deliverers. Effective management principles and CETA regulations require that management systems be installed at both the prime sponsor and the subgrantee levels to assess programs, identify the need for corrective actions, remedy poor grant performance, and plan for more effective programs. In the past, OIG audits and investigations have shown that less-than-effective monitoring systems have resulted in the failure to detect or correct wide-ranging deficiencies at the subgrantee level. These deficiencies include violations of cost limitations, inaccurate or incomplete accounting records, participation of ineligible persons, and inadequate documentation of financial and program activities. Prime sponsors are responsible for resolving any

questioned costs resulting from audits of subgrantees and are liable to ETA for unallowable subgrantee costs. Activities related to subgrantee operations accounted for 31 percent (\$17 million) of questioned costs resulting from all CETA prime sponsor audits conducted during this reporting period. Effective monitoring systems would have precluded many of the deficiencies that resulted in questioned costs.

The CETA amendments of 1978, and implementing regulations, require that Independent Monitoring Units be established by prime sponsors. Specific responsibilities assigned to the monitoring units include:

- Review of the systems controlling program administration, particularly those that determine participant eligibility;
- review of pay records and attendance reports to ensure that controls are established for preventing unauthorized payments;
- review of subgrantee plans, procedures, and capability to carry out programs and activities; and
- monitoring of subgrantee maintenance of records for all expenditures of CETA funds.

Although CETA regulations provide that the units be operational by April 3, 1979, OIG audits have shown that most were slow to be staffed, which delayed or prevented effective monitoring of subgrantee activities.

Following are specific examples of weaknesses in implementing the monitoring unit concept, as found during our most recent audits.

- Knoxville/Knox County Manpower Consortium, Tennessee

Although this prime sponsor had established an Independent Monitoring Unit, our audit disclosed the following weaknesses in the unit's effectiveness:

- Numerous subgrantees were not monitored during the performance period of the grant;
- findings disclosed in monitoring reports were not resolved by subgrantees, and follow-up by the prime sponsor to ensure that corrective actions were taken was insufficient;
- established written procedures were not always followed by the monitoring staff in conducting their reviews; and
- reports depicting the results of monitoring reviews were not always presented to a high enough level of management to ensure that appropriate corrective actions would be taken.

At the time of our audit, this prime sponsor had over \$13 million in unresolved questioned costs from prior audit periods, of which \$4 million pertained to subgrantees.

- Texarkana Metropolitan Area Manpower Consortium

An Independent Monitoring Unit had also been established by this prime sponsor, with duties and responsibilities to monitor all aspects of the CETA program from information generated by the management information system to at least semiannual monitoring of all subgrants. However, an OIG audit disclosed that most of the staff's time was used to gather eligibility data on potential ineligible participants. The monitoring staff did not even have a complete listing of subgrantees.

- Madison County Employment and Training Administration, Indiana

Our audit of this prime sponsor disclosed that, as of September 30, 1980, its Independent Monitoring Unit was still in the formative stage. Therefore, monitoring of individual programs was not being conducted on a timely basis. Financial records maintained by three out of seven subgrantees selected for audit were in an unauditable condition. Because these three subgrantees were unable to provide supporting documentation for costs charged to their program, or were unable to reconcile reported expenditures to official accounting records, \$66,000 was questioned.

At the time of our audit, \$112,000 in questioned costs resulting from subgrantee audits remained unresolved. These

questioned costs were for audits covering periods between September 1974 and September 1978.

The prime sponsor, in accordance with our recommendations, has taken steps to increase its monitoring efforts. Approximately \$44,000 of the total \$112,000 subgrantee questioned costs was resolved during the time between issuance of our draft audit report and issuance of the final report.

- Inadequate Financial Management and Internal Controls at the Prime Sponsor and Subgrantee Levels

OIG audits have noted problems in financial management and internal controls at both prime sponsor and subgrantee levels. Our recent review of cash management practices in the CETA program disclosed a number of cash management deficiencies, including the fact that CETA recipients have failed to provide effective control over CETA cash balances. We also found that the system of internal controls at the prime sponsor and subgrantee levels was inadequate. We found controls that permitted payment of expenditures unsupported by documentation; administrative costs charged to grants that exceeded the amounts authorized by statute or regulation; expenditures that exceeded budget authorizations; charges that did not conform to government cost principles; and improper equipment, procurement and control procedures. Further,

inadequate controls have rendered the CETA program more susceptible to fraud, waste and abuse. Deficiencies in financial management and internal controls at the prime sponsor and subgrantee levels resulted in amounts questioned totaling \$35 million.

To address these problems, ETA initiated corrective actions including: redefinition of the roles and responsibilities of Federal Representatives, with emphasis on monitoring grantee internal control systems; issuance of a certification guide for review of prime sponsors' Financial Management Information Systems, including specifications for a payroll journal system; inclusion in the Annual Performance Assessment of requirements for maintenance of documentary evidence of participant eligibility verification; and development for issuance in late 1981 of a certification guide for review of prime sponsor control of subgrantee cash balances.

Following are examples of audit findings relating to poor financial management systems and poor systems of internal control, as found during our most recent audits of CETA prime sponsors.

-- Poor Grantee Cash Management Practices

For several years we have been pointing to the need for more effective cash management practices within the CETA program.

During Fiscal Year 1979, the DOL provided \$9.4 billion in federal funds to over 500 recipients to finance employment and training programs. Another \$6 billion was provided in Fiscal Year 1980. Cash advances were made to these recipients to fund their CETA activities.

Our recently completed review of cash management practices in the CETA program disclosed that CETA recipients have failed to provide effective control over CETA cash balances. Federal efforts to control advances to recipients have been similarly ineffective. Because this control was lacking, recipients often had either excessive cash balances or insufficient cash to meet their needs. These problems are the result of ineffective recipient accounting systems that did not provide CETA cash managers with the information necessary to maintain minimum cash balances, federal payment procedures that did not prevent the accumulation of excessive cash balances, and control practices that did not identify inadequate recipient cash management.

As a result, the Federal Government incurred additional interest costs when more funds were borrowed than necessary to meet immediate needs; local governments were deprived of interest earnings when local funds were required to meet CETA cash disbursements; and CETA suffered loss of public support when funds were not available to meet participant payrolls and other requirements.

In addition, recipients have allowed subrecipients to retain unexpended government funds for extended periods of time after the contract period. Recipients have also derived interest from federal funds but have not returned the interest earned to the Department, as required.

Our auditors examined the cash management practices of seven recipients in four regions who collectively received 64 percent (\$6 billion) of all CETA funding in Fiscal Year 1979. OIG recommendations to the Assistant Secretary for ETA for improving cash management in the CETA program were as follows:

- Perform an assessment of recipient accounting systems to identify deficiencies in cash management practices.
- Provide necessary technical assistance to establish adequate controls over CETA balances.
- Consult with the U.S. Treasury to explore alternative methods for disbursing federal funds to reduce the period between request and receipt of funds as well as eliminate the uncertainty as to when funds will be received. (This would almost certainly require a method other than the mail system for requesting and mailing funds. Eliminating use of the mail system for disbursing checks, alone, would reduce interest costs to the U.S. Treasury by \$8.8 million per year.)

- Notify recipients of their obligation to ensure that all government funds unused at the completion of a contract be promptly returned by subrecipients, or reprogrammed into current activities.
- Develop incentives and training to make financial, budget and program managers more aware of the cash management implications of their decisions.
- Direct a review of all recipients at the local government level, to ensure that procedures are in place for identifying and returning interest earnings accruing on CETA balances to the U.S. Treasury. Added emphasis should be placed on monitoring recipient compliance with these procedures.

ETA concurred with all our recommendations and cited actions planned to correct the deficiencies found. They stated, however, that they do not have the staff to assess recipient accounting systems and to review recipients to recover interest earned on CETA balances. Instead, ETA suggested a number of alternative approaches, including having the OIG perform the assessments.

While we agree that ETA does not have the skilled accounting personnel to adequately address these problems, we feel the potential savings are so significant that the recommendations should be implemented as soon as feasible. The shortage of

skilled accounting personnel could be addressed through use of technical assistance training funds to procure the necessary expertise or through the formation of an OIG/ETA task force, drawing upon the technical expertise available within the OIG.

- Maricopa County, Arizona

The financial reports submitted by this prime sponsor to ETA disclosed material discrepancies. Reported expenditures were overstated by \$560,000 due to an undetected clerical error, and there was an unreconciled difference of \$116,000 in the cash account. In total, we questioned \$1.1 million in program expenditures.

These problems existed because of the lack of adequate accounting procedures and controls. The accounting system consisted of poorly maintained and unlabeled manual records that were constantly revised during the audit. No clear audit trail existed between the financial reports and source documents.

- Municipality of Carolina, Puerto Rico

Our audit of this grantee disclosed that its financial management system was inadequate to properly administer the CETA program. The prime sponsor exceeded its \$971,000 Title IID appropriation by \$56,000 and made wage overpayments of

\$452,000 to its staff and participants. These overpayments were due to the lax preparation of time and attendance records and the absence of formal leave records. Other financial management weaknesses included a lack of an established system for documenting or verifying travel costs, an unclear delineation of authority and responsibility that resulted in many routine payments being delayed and in some unusual payments receiving little or no scrutiny, and unsupportable payments. Recommendations were made to strengthen the grantee's financial management system.

-- Improper Equipment Procurement and Control Procedures

OIG investigations have identified significant problems with respect to CETA prime sponsor equipment control and procurement. These include:

- Procurement of major equipment (over \$10,000) without specific justification or approval by the grant officer;
- use of "lease with option to buy" contracts to avoid sole source and procurement authorization requirements;
- rental of government-furnished equipment to CETA programs to generate income for other uses;
- furnishing major equipment items (\$10,000 & over) to private businesses for "classroom training" where the equipment is used for a limited period and then retained by the contractor; and
- failure to maintain property records.

These problems appear to stem from ETA's inadequate efforts to enforce prime sponsor adherence to federal regulations and to take substantive action where violations are noted. Annual plans and grant proposals containing unidentified budgetary amounts for equipment acquisition are approved at the beginning of each fiscal year, thus providing the funding authorization to procure such equipment. Attempts to obtain property listings for prime sponsors reveal that ETA normally does not have such information or that the information is not current. Without accurate property records, re-utilization or recoupment of equipment by the Federal Government is not possible.

- Ineligible Participants

As noted in our last three semiannual reports, one of the most prevalent problems in the CETA program is the enrollment of ineligible participants. During this reporting period, \$20 million was questioned in OIG audits due to possible ineligible participants.

In many instances, ineligible participants may be enrolled in the CETA program because of an error by the intake staff or by the participants. In many other instances, however, their enrollment may be due to willful fraud. Such CETA fraud is the subject of a significant portion of OIG investigative effort. As noted in our

last semiannual report to the Congress, CETA employees are sometimes coached to falsify their enrollment applications to qualify for a CETA position. In one recent case, a subgrantee director coached applicants to falsify their addresses to be eligible for the CETA program and also paid participants for a forty-hour work-week when they actually worked thirty-two hours per week. On the basis of this investigation, ETA disallowed \$48,333 and instructed the prime sponsor to recover these funds from the subgrantee.

The CETA amendments of 1978 provided for eligibility determination and verification systems to be placed at all prime sponsors. Under the 1978 requirements, a full and complete application is the basis for establishing participant eligibility in the CETA program. Within 30 days of enrollment, all applications are reviewed by someone other than the intake officer for completeness and consistency and to verify that the determination regarding eligibility was correct. A quarterly verification of participant eligibility is performed, based on a random sample of participants.

In our last semiannual report, we reported that the OIG had completed its evaluation of the CETA eligibility determination and verification systems of selected CETA prime sponsors and that the draft report had been submitted to ETA management for review and comment. The objective of our study was to identify aspects of

prime sponsors' eligibility determination and verification systems that could be used as a model by other prime sponsors to improve their participant screening process. Although we identified a number of practices tending to characterize effective sponsors and to distinguish them from their less effective counterparts, we also found that those characteristics did not lie in the area of specific screening applications or techniques, but in management support, direction, and staff competence and diligence.

Our study recommended that ETA: Develop training programs and guides that prime sponsors could use to train their staff; encourage less effective prime sponsors to require pre-enrollment documentation until they strengthen those areas of their enrollment and verification systems identified as needing improvement; and determine which prime sponsors have not implemented their Quarterly Verification System and recover administrative funds allocated to them to implement the system.

While ETA officials agreed that some prime sponsors are in need of better training programs, staff guides, policies, and procedures in the screening area, they felt that, in some instances, implementation of our recommendations would require too much national intervention at the local level.

- CETA/Public Service Employment Unemployment Insurance Refunds

CETA statutes have always provided for participation of Public Service Employment (PSE) workers in the Unemployment Insurance (UI) program. The Emergency Jobs Programs Extension Act of 1976 (P.L. 94-444) transferred the liability for UI benefits from CETA grant funds to the Special Unemployment Assistance Fund in the budget of the State Employment Security Agencies (SESA's).

The Act required the Federal Government to pay directly any UI benefits to individuals whose claims were based on employment in the CETA/PSE program. The states were directed to make refunds to or to credit the accounts of employers who had made contributions to the Unemployment Insurance program on behalf of PSE participants. ETA issued specific instructions to prime sponsors stating that these credits and refunds to PSE employers should be recaptured by the prime sponsors for use in subsequent CETA/PSE programs.

The OIG conducted a survey to determine if, in the State of California, these employer refunds were returned to the prime sponsors as instructed. Out of \$2.26 million that California had refunded to employers, we reviewed \$1.9 million and determined that of this amount only \$949,000 had been properly returned. Our survey has already resulted in the recovery of \$367,000. The OIG

recommended that ETA take immediate steps to recover the remaining \$587,000.

Office Of National Programs

The Office of National Programs (ONP) is responsible for those programs funded from CETA appropriations administered directly from ETA headquarters in Washington. These include employment and training programs for Indians and other Native Americans, for migrant and seasonal farmworkers, and for older Americans. Obligations for these programs totaled \$600 million in Fiscal Year 1981 and are expected to total approximately \$494 million in Fiscal Year 1982.

During the final months of the past administration, a large number of telegrams were sent to contractors and grantees, authorizing them to incur costs before actual awards were finalized. These awards were made from CETA Title III discretionary funds administered by ONP and from Title IV funds administered by the Office of Youth Programs. Further, although actual obligations never exceeded available funds, as of January 30, 1981, planned commitments for Titles III and IV discretionary funds did exceed available funds by \$7.3 million for Title III and \$35.4 million for Title IV. The ONP program staff became aware of the potential overcommitment at the end of January 1981 and action was taken to reduce Title III and IV proposed and executed awards by \$25 and

\$42 million respectively, bringing planned Fiscal Year 1981 expenditures in line with the Department's budget authority. In early March of 1981, the OIG initiated a still-ongoing investigation of some of these award activities.

At the request of the Senate Labor and Human Resources Committee, GAO issued two reports in August 1981 dealing with problems in ONP: "Labor Needs to Better Select, Monitor and Evaluate Its Employment and Training Awardees" and "Information on Funding Commitments From Comprehensive Employment and Training Act Titles III and IV During Fiscal Year 1981."

GAO noted in these studies that ONP relied heavily on sole source awards with generally little or no justification for such awards. Other observations made by GAO include the following. ONP rarely made formal assessments of the awardees' performance and, therefore, did not know whether awardees fulfilled the award terms or spent federal funds prudently. Problems with awardees' performance were not always identified or resolved; required fiscal and performance reports were often not requested, and many awardees were never visited. Awardees that had performed poorly continued to receive grant funds.

Many of ONP's problems occurred because grant and contracting responsibilities were not separated from program

responsibilities. As a result, most award activities were handled by program staff who placed little emphasis on following proper grant and contracting practices.

ETA reduced funds that will be available in Fiscal Year 1982 for non-formula, noncompetitive awards from \$79 million, or 13 percent of the total \$600 million available in Fiscal Year 1981, to \$42 million, or 9 percent of the total \$494 million available for Fiscal Year 1982. ETA will also carefully examine the possibility of awarding a substantial share of the \$42 million competitively rather than noncompetitively. Moreover, ETA has drafted policies and guidelines to improve its management of, and to assign responsibilities for, the procurement process for use of National Office, Jobs Corps and certain Regional Office administered funds. These policies provide, in part, that awards be made competitively to the greatest extent possible, that sole source awards be made only if justified and approved, that performance assessments be made of all procurements over the preceeding three years and be considered before making decisions to approve, increase, or decrease the funding or period of performance of any contract or grant, and that pre-award audit reviews or surveys be made of prospective awardees of over \$250,000 who have not received contracts with ETA in the preceeding three years.

The policies also provide that: Personnel with program responsibility for the contract or grant may serve neither as

contract or grant officers, nor constitute a majority or serve as chairperson on a panel that rates applications for contract or grant awards; preaward authorization letters must be in accordance with the Federal Procurement Regulations' requirements for letter contracts to protect the Government's interests; pre-award authorization telegrams are prohibited; and a system be developed to review and track contractor and grantee financial and program reports and performance. Finally, the draft policies provide that ETA administrators shall consult with the OIG concerning contractors and grantees before recommending any funding, refunding, or increase in the amount of a contract or grant.

The OIG and ETA are developing a process to better synchronize the timing of audits and contract grant decisions. ETA plans not to fund any grants with serious adverse audit findings or debt delinquency. A preaward grantee clearance process will provide information to ETA to ensure that this policy is enforced.

MINE SAFETY AND HEALTH ADMINISTRATION

The Federal Mine Safety and Health Act of 1977 transferred authority for enforcement of health and safety standards from the U.S. Department of the Interior to the U.S. Department of Labor. The 1977 Act also included enforcement of standards for the metallic and nonmetallic mining industry, as well as the previously regulated coal mining industry. Within the Department, the Mine Safety and Health Administration (MSHA) administers and enforces the provisions of the Federal Mine Safety and Health Act of 1977.

The objective of MSHA is to achieve a safe and healthful environment in the nation's mines. This involves conducting investigations and inspections of metal, nonmetal, and coal mines; assessing civil monetary penalties for violations of the Act; certifying equipment and materials for use in mines; examining, approving, and monitoring industry plans to ensure compliance under the MSHA Act; promulgating standards for mine safety; and developing programs and materials to train mine inspection and technical support personnel.

The 1977 Act requires a complete inspection of each underground mine at least four times a year and a complete inspection of each surface mine at least twice a year. In addition to these regular inspections, the 1977 Act requires periodic spot inspections in those mines where excessive quantities of methane gas are

released; where other gas ignitions or explosions have occurred during the previous five years, resulting in death or other serious injury; or where other hazardous conditions are present.

The mining industry, subject to the 1977 Act, includes nearly half a million miners working in over 21,000 mines. The number of persons employed in these mines ranges from one person operators to corporate entities employing over 2,000 people.

MSHA was budgeted at \$154 million for Fiscal Year 1981 and employed a workforce of approximately 3,800 people.

The following is a description of some of the problem areas identified by OIG activity and our recommendations for corrective action.

- Weaknesses in the Approval and Certification of Mine Safety Products

We recently completed an audit that focused on the product approval and quality assurance monitoring systems used by MSHA's Approval and Certification Center (ACC). The ACC mission is to ensure that products used in the mines are safe. To carry out this mission, ACC personnel test and evaluate products to determine if they meet safety specifications prescribed by the Secretary of Labor. If the product meets the specifications, the

manufacturer is allowed to display an MSHA approval plate that indicates the product is safe for mine use and can be marketed to mine operators. The Center, which has 85 permanent staff, receives approximately 5,500 requests for product certifications annually and has received over 22,500 requests since 1978.

A 1980 OIG investigation of ACC operations raised concerns about possible preferential treatment being given to manufacturers in the product approval process, and about MSHA's inability to identify and remove unsafe products from the mines. For these reasons, we reviewed the product approval process and quality assurance monitoring systems operated by ACC personnel. Our audit found that the Center cannot effectively carry out its mission under the current concept of federal evaluation and testing of prototype mine equipment.

Our review of the current operating systems identified the following:

- As a result of the high volume of applications and limited staff resources, there are large continuing backlogs of unprocessed applications for product approval that will not be eliminated under the current operating concept.
- No patterns of preferential treatment in processing approval actions were detected. However, we understand how someone unfamiliar with ACC operating systems could

suspect preferential treatment, since the ACC has at least 15 major scheduling lines for processing approval actions that result in different time frames for product approval actions.

- A review of 58 products being evaluated by the ACC indicated that 97 percent had incomplete file documentation.
- There are weaknesses in management systems for tracking the progress of applications. For example, in 22 of 58 files reviewed, we could not ascertain when the application had been assigned for testing and evaluation.
- There is a strong service attitude on the part of ACC personnel that sometimes results in a failure to reject inadequate or incomplete applications for approval of products. In one case, ACC personnel completely re-designed two pump units for a manufacturer because the original design did not meet safety specifications.
- The ACC is ineffective in monitoring previously-approved MSHA products to ensure that they continue to meet federal safety requirements. Of the 88 products reevaluated during Fiscal Year 1981, 23 (26 percent) of them were found to be unsafe for mine use, indicating the need for a stronger monitoring and reevaluation function.

Based on our findings, we have recommended procedural improvements to expedite processing and provide more effective management control in ACC's current operating environment.

However, the lack of an adequate quality assurance monitoring program raises serious questions about whether products carrying the MSHA approval continue to meet federal specifications and are safe for mine use. These problems are compounded by inconsistent, outdated, and unclear MSHA regulations that govern the approval process. The fee schedules, which are published in the regulations, do not come close to recovering the cost of product testing. The result of the low fees has been to shift the costs for product approval and quality assurance from manufacturers to the taxpayer.

While additional staffing for ACC would reduce backlogs and allow for increased quality assurance reviews, such staff increases are unlikely and would provide only a short-term solution because of anticipated increases in applications. Therefore, we believe it is appropriate to consider alternatives to the existing approval and certification concept. We have recommended that the Assistant Secretary for Mine Safety and Health implement alternatives to the current operating concept that would allow:

- Manufacturers to use third party, independent laboratories to evaluate and test products in accordance with MSHA specifications; and

- MSHA to accept manufacturers' testing and certification that certain types of less-hazardous mining products and accessories meet federal specifications.

Furthermore, coupled with the shift in the operating concept, the governing federal regulations need to be streamlined, updated, and clarified.

We believe implementation of our recommendations will:

- Provide greater flexibility to manufacturers and MSHA in designing and approving safe mine equipment and eliminate long delays for approval; and
- better utilize ACC technical expertise to perform quality assessment reviews and identify hazardous products and situations.

In response to our report, MSHA officials stated that they are already taking action to implement changes. They further indicated that many issues raised by the report paralleled their own concerns, agreed that the current approval concept needs modification, and stated that they are committed to making the necessary changes. However, MSHA management did point out that the current operating concept was begun in the early 1900's and rapid change may be difficult.

- Enforcement

During this reporting period, there were 15 MSHA-related indictments. Some of our major investigations of the MSHA enforcement program are discussed below.

- On June 8, 1979, an explosion at the Belle Isle Salt Mine in Franklin, Louisiana, resulted in the death of five miners. Under the 1977 Act, MSHA is required to classify a mine as gassy when certain conditions are met, including when the test sample contains .25 percent or more of flammable gas. Investigations have borne out the allegation that, prior to the explosion, MSHA personnel were aware of the presence of methane in the Belle Isle Salt Mine and other salt mines in the area since readings at these mines exceeded the .25 percent limit.

On May 27, 1981, an MSHA sub-district manager was indicted by a federal grand jury in Lafayette, Louisiana, on a three-count indictment of conspiracy to obstruct proceedings related to the Belle Isle Salt Mine investigations. This sub-district manager, who had prior knowledge that the mine was gassy, did not properly disclose this information nor properly enforce the MSHA Act. During the investigation, it was revealed that the sub-district manager had previously instructed his employees not to classify the salt mines as

gassy. It was also disclosed that he held a meeting in 1976 with the representatives of the southern Louisiana salt mines, in which he notified the representatives that one of the salt mines that should be classified as gassy would not be so classified.

The sub-district manager plead guilty to conspiracy to defraud the government of its right to have the Mine Safety and Health Act administered fairly and free from corruption. Sentencing is pending.

On May 27, 1981, the U.S. Attorney filed a four-count criminal information charging Cargill, Inc., the owner and operator of the Belle Isle Salt Mine, with violating the mandatory health and safety standards established by the Federal Mine Safety and Health Act of 1977. On May 29, 1981, Cargill entered a guilty plea and the U.S. Attorney recommended that Cargill pay a \$100,000 fine. On September 1, 1981, Cargill, Inc. was fined \$45,000 by the Federal District judge in Opelousas, Louisiana.

In addition, the survivors of the mine disaster sued Cargill Inc., who settled out of court for \$8 million.

- On October 28, 1980, three men were killed in an explosion while working in an illegal underground coal mine in Corbin, Kentucky. Although the OIG does not generally investigate mine safety and health violations, the U.S. Attorney in Lexington, Kentucky, requested that the OIG provide technical assistance. The OIG assisted the U.S. Attorney by conducting interviews, preparing subpoenas and affidavits and compiling the documentary and physical evidence.

As a result of this investigation, on June 5, 1981, a federal grand jury in London, Kentucky, indicted six individuals on forty-four counts for violating safety standards and for operating an illegal mine. Trial is scheduled to begin in November 1981.

- On June 22, 1981, a former MSHA coal mine inspection supervisor was convicted in Roanoke, Virginia. This coal mine inspector had owned and operated the same mine that he had the responsibility for inspecting. He was charged with violating conflict of interest laws and with submitting false statements.
- The OIG also conducted an investigation into allegations that a former MSHA mine inspector solicited and received interest-free loans with no repayment terms from coal

companies in the Richlands, Virginia, coal belt. On July 15, 1981, the former mine inspector was charged with three counts of extortion, two counts of receiving illegal gratuities and two counts of filing false statements. The president and vice-president of the mining company were also charged with giving illegal gratuities. This case is awaiting trial.

- The OIG conducted an investigation into allegations that an MSHA district manager obstructed investigation and inspection activities of subordinate inspectors in his district. There were additional allegations that the district manager accepted gifts and gratuities from the coal companies. MSHA proposed removal of this employee but he subsequently retired. On July 6, 1981, a federal grand jury in Louisville, Kentucky, returned a seven-count indictment against the district manager. The indictment charged the manager with six counts of obstruction of justice and one count of accepting a bribe. A trial is scheduled to begin in November 1981.

MSHA management is aware of all of these investigations and the recommendations we have made as a result of our work. We are concerned that, in the past, MSHA has not been as sensitive to integrity issues as it should be. A particularly troublesome example, concerns an MSHA employee, previously suspended for taking a gratuity, who was subsequently assigned by MSHA to teach an ethics course at a district office.

DEPARTMENTAL MANAGEMENT

Within Departmental Management, the OIG directed audit activities to the procurement area. The Department undertakes numerous procurement actions each year that total about \$400 million. Of particular interest to us during this reporting period were year-end spending and consultant service contracts.

- Year-end Spending

We evaluated the adequacy of controls implemented by the Department in Fiscal Year 1980 to eliminate unnecessary year-end spending and to find out if funds obligated related to services required only during that fiscal year.

We found that management controls needed improvement and that \$1.3 million was improperly obligated to Fiscal Year 1980.

In response to our findings and recommendations, the Department promptly took a number of actions. The agencies reviewed by the OIG were immediately told to adjust their accounting records by deobligating the \$1.3 million improperly charged to Fiscal Year 1980 appropriations and to charge those obligations to Fiscal Year 1981. In order to avoid the improper obligation of Fiscal Year 1981 funds, procurement personnel were charged with reviewing existing contracts and new procurement requests to assure that only the appropriate year's funds were obligated. Additionally,

the Department provided immediate verbal guidance on future procurement actions to agency administrative personnel, and is now revising internal directives to provide permanent guidance on the proper manner for obligating funds.

Based on our recommendation, the Department will ensure that the existing requirement of preparing annual advance procurement plans is enforced. Such plans lay the groundwork for fulfilling agency procurement needs and enable agencies to plan for the best use of their budgeted funds. Additionally, the Department's Procurement Review Board will review and approve these plans and their amendments, thus enabling the Department to initiate needed corrective action early in the fiscal year.

In light of the results of our review of Fiscal Year 1980 year-end spending, we examined procurement actions for the last two days of Fiscal Year 1981. The preliminary results of this audit effort indicate significant improvement in the Department's obligating procedures. We believe these improvements can be attributed to the Department's timely response to correct the deficiencies cited in our earlier review.

- Consultant Service Contracts

We evaluated the Department's management controls over consultant service contracts to find out if contracts were correctly

classified as consultant services and if contracts were properly reported to the Federal Procurement Data System (FPDS), which is the government-wide data base used to monitor government purchasing for the information of the Congress and the Executive Branch.

The specific problems we identified were the misclassification and misreporting of consultant service contracts to the FPDS and a resultant inaccurate reporting of the money obligated for such services--Departmental accounting figures differed significantly from those reported to the FPDS and also differed with data presented to the Congress. For example, for the first six months of Fiscal Year 1981, one of the Department's major procurement offices had classified nine contracts for consultant services valued at \$806,053. We identified an additional three contracts valued at \$484,968. As a result, the Department's reporting was undervalued by almost 40 percent.

Based on our recommendations, Departmental officials have been directed to take specific actions to improve the classifying and quantifying of consultant service contracts and to report accurate figures to the FPDS. Additionally, the Department is implementing a new requirement that will preclude the processing of any consultant purchases that are not included in approved procurement plans or approved amendments to such plans.

ORGANIZED CRIME AND LABOR RACKETEERING

An historic problem in the labor/management field has been the influence of organized crime.

An assessment of the organized crime and labor racketeering problem in the United States, conducted by our Office of Organized Crime and Racketeering (OOCR) and other law enforcement agencies, found that over 400 labor organizations are associated, influenced, or controlled by organized crime.

Investigations of organized crime and labor racketeering cases, by their very nature, are lengthy and complex. In Fiscal Year 1981, investigations conducted by OIG special agents, including those conducted jointly with special agents from other law enforcement agencies, resulted in 43 indictments against 93 individuals, many of whom are top level members of organized crime families.

Four major areas of criminal activity in which organized crime members are involved and that have received concentrated attention from OIG special agents are: embezzlement, extortion, kickbacks (to employee benefit plan officials to influence their administration of such plans), and illegal payments from employers to union officials.

- Embezzlement

Union-negotiated employee benefit plan funds and labor union funds with their billions of dollars are vulnerable to embezzlement, especially when organized crime is involved.

This type of criminal conduct usually involves the very willing participation of dishonest union officials, as in the case of Daniel Cunningham, president of the Allied International Union of Security Guards and Special Police (Allied) and the Federation of Special Police and Law Enforcement Officers. In a 50-count indictment returned against Cunningham and two business agents of the union, Cunningham was charged, in August 1981 in New York, with embezzling approximately \$160,937 from union and benefit fund coffers over a five-year period by forging union and fund checks. With business agent Herman Jaffe, Cunningham was also charged in the indictment with embezzling \$41,814 by converting Allied union checks made out to fictitious employees and an additional \$35,000 by cashing fictitious employee checks with the assistance of business agent Frank Ponte. The total amount the three union officials are charged with embezzling was approximately \$239,800.

- Extortion: Interference with Commerce by Threats or Violence

Extortion is defined in the Hobbs Act as "the obtaining of property from another with his consent, induced by wrongful use of actual or threatened force, violence, or fear, or under color of official right." Employers who want their cargoes unloaded or to

keep their businesses open too frequently are forced to bow to extortionate demands. Although the problem is perhaps more prevalent in the construction industry, no business is immune as shown by an intensive two-year--and still ongoing--joint investigation by OIG, the New York Police Department, and the IRS of the fresh seafood industry centering in the Fulton Fish Market, which generates approximately 25 percent of all seafood business on the Atlantic Coast.

The investigation revealed that the industry is influenced by organized crime members and their associates. Their infiltration is reflected in all aspects of market activity, including its major union--the United Seafood Workers and Handlers Union (affiliated with the United Commercial Workers Union) in New York.

In August 1981, a federal grand jury in the Southern District of New York returned an 167-count indictment against three officials of local 359, United Seafood Workers Union, and its associated welfare and pension plans and five businesspersons associated with various wholesale fish companies in the Fulton Fish Market.

The indicted union officials include Carmine Romano, executive administrator of the Fulton Fish Market welfare and pension funds and formerly the secretary-treasurer and business agent of local 359. According to various law enforcement agencies, Romano is an alleged high-level organized crime figure.

Also indicted were Romano's brother, Peter Romano, secretary-treasurer and business agent of local 359, and Anthony O'Connor, cousin of the Romanos' and trustee of the welfare and pension fund and a former business agent of the local.

The defendants are charged with conducting and conspiring to conduct the affairs of the Fulton Fish Market through a pattern of racketeering activity that included numerous acts of extortion, payment and receipt of illegal labor payoff, misuse of the union's welfare and pension funds, and obstruction of justice. The union officials are charged, in part, with extorting over \$644,000 from businesses in the market through the Fulton Patrol Service; the payments were made in return for "protection" against thefts and robberies. Two union and five employer defendants are also charged in 70 counts with extorting "Christmas" payments averaging \$300 apiece from employers in the market.

- Kickbacks

To influence operation of employee benefit plans, kickbacks -- usually monetary -- are given in payment. The large sums of some kickback schemes, such as that uncovered in a two-year investigation by OIG, FBI, and IRS of the Laborers International Union of North America, give us an idea of how much organized crime gains at the expense of union members enrolled in health and welfare and pension programs.

In June 1981, 16 defendants--including Anthony Accardo, alleged Chicago syndicate boss; Santo Trafficante, alleged Tampa organized crime boss; and Angelo Fosco of Chicago, president of the Laborers International Union of North America (LIUNA)--were indicted on charges of racketeering violations through a pattern of insurance kickback schemes. In September, five other defendants--including Raymond L. S. Patriarca, alleged organized crime boss in New England, and Arthur E. Coia, Sr., secretary-treasurer of LIUNA--were also indicted on charges of racketeering.

The indictments state that the scheme, which operated from 1970 to 1977, was to get money for the defendants and co-conspirators by setting up or purchasing insurance companies, exercising influence over unions and trust funds to funnel insurance business from those funds into the insurance companies, charging union members for the most expensive form of insurance, and looting the insurance premiums paid by using them for kickbacks, pay-offs, unearned salaries and fees, and improper personal expenses. The union insurance business was funneled into a nationwide company that Joseph Hauser, a convicted insurance swindler who became a government witness, was to arrange. Hauser's company received over \$39 million from various employee benefit plans and over \$3 million was allegedly kicked back.

The grand jury also charged in the indictment that, during 1976, Patriarca advised Hauser that the insurance business of the Laborers Union would be controlled by "the family" with Patriarca controlling the northeastern United States, Trafficante controlling the southern United States, and Accardo controlling the midwestern United States.

- Illegal Payments

Illegal payments are payments or loans of money or other things of value by employers, or individuals acting in the interest of employers, to union representatives or labor organizations, usually in return for favors, such as influencing contracts or union operations.

A recent conviction in Delaware, following a lengthy OIG investigation, established that Eugene R. Boffa, Sr., with the participation of other co-defendants, masterminded a nationwide network of labor leasing companies that specialized in leasing truck drivers to major corporations throughout the country. These companies operated under various names, including Universal Coordinators, Inc., Country Wide Personnel, Inc., and Preferred Personnel, Inc. They employed several "front" people who posed as officers of various of these companies.

The defendants would interchange the companies as necessary to circumvent contractual employee wage and benefit requirements, or other problems as they arose, by terminating contracts with one leasing company and bringing in another leasing company that paid lower wages and benefits. Boffa and his co-conspirators were always careful to conceal his actual ownership of the successor companies, and thus defrauded a large number of employees.

Evidence at the trial established that Francis Sheeran, president of Teamsters Local 326 in Wilmington, was an active participant in this operation for which he received several luxury automobiles and an undetermined amount of Boffa's profits. Trial evidence showed that alleged high-level organized crime figures also shared in the profits.

Boffa was convicted in June 1981 on charges of operating the leasing corporations through a pattern of racketeering, mail fraud, and illegal payments. He was sentenced in August 1981 to 20 years imprisonment.

The Sheeran trial, which began October 13, 1981, is still underway. The other co-conspirators have been convicted and sentenced. The judge ordered that nine companies owned by the defendants be forfeited to the government and appointed a receiver to prevent the dissolution of assets during appeals.

While labor leasing is not in itself an undesirable method of conducting business, the Boffa case illustrates the vulnerability to "sweetheart" contract arrangements--a form of labor management collusion in which the employer pays the union representative to negotiate lower wage rates or benefits than the market would permit, to allow the employer to use non-union labor, or to fail to enforce the collective bargaining agreement.

The facility with which companies and labor can be manipulated and the sophistication of transacting seemingly legitimate business make this an area of growing concern.

- Legislation

Two bills now under consideration that greatly affect the method of conducting investigations into organized crime activities in the labor management area and the outcome of such investigations, and which we support, are S. 1163, Labor Racketeering Act of 1981, and S. 613, Amendment to the Hobbs Act, developed by the Department of Justice.

-- The Labor Racketeering Act of 1981

In May 1981, S. 1163, the Labor Racketeering Act of 1981 was introduced to increase the penalties for violations of the Taft-Hartley Act, to prohibit persons upon their convictions of certain crimes from holding offices in or certain positions

related to labor organizations and employee benefit plans, and to clarify certain responsibilities of the Department of Labor.

The act assigns responsibility to the Department of Labor for detecting and investigating civil and criminal violations of the Employment Retirement Income Security Act (ERISA) and related federal laws. Previously, the Department has interpreted its authority to pertain only to civil violations. The OIG believes it is necessary to have the authority to investigate criminal violations as well.

There has never been any specific legislation giving the Secretary, and ultimately the IG, statutory authority in organized crime and labor racketeering cases to investigate criminal violations contained in the federal labor laws. The Labor Racketeering Act of 1981 (S. 1163), could appropriately clarify the role of the Labor Department in the Department of Justice Organized Crime Strike Force and its authority to investigate.

-- S. 613 - Hobbs Act Amendments

In March 1981, S. 613, a bill that, among other purposes, includes amending Section 1951 (Extortion) of the United States Code, was introduced. Portions of the bill would nullify the decision in United States v. Enmons, 410 U.S. 396 (1973). The Supreme Court found in Enmons that the Hobbs Act does not apply to the actual or

threatened use of violence directed at the obtaining of "legitimate labor objectives" or economic benefits that can otherwise be lawfully obtained by collective bargaining. In addition to nullifying the Enmons decision, S. 613 would also clarify the position, in the context of both labor disputes and disputes outside the field of labor relations, that the Hobbs Act punishes the actual or threatened use of force or violence to obtain property irrespective of the legitimacy of the extortionist's claim to such property.

This legislation is important and, if enacted, would help deter labor racketeering and enhance Departmental investigative effectiveness.

PART II
SUMMARY OF OIG ACTIVITIES

OFFICE OF INVESTIGATIONS

Between April 1 and September 30, 1981, we opened 270 cases and closed 303. We referred 52 cases to the Department of Justice and other authorities for possible prosecution. Additionally, 83 cases were referred to DOL agencies for administrative actions that resulted in various actions including two reprimands, two demotions, and nine terminations of employment. At the end of the reporting period, there were 597 cases pending.

During the six-month period, there were 50 individuals or entities indicted and 30 convicted based on our investigations. (Since the period of time to obtain court action on indictments varies widely, the 30 convictions are not necessarily related directly to the 50 indictments.)

Fines, recoveries, savings and collections resulting from our investigations during this period totaled about \$4 million.

The following is a breakdown of investigative case activity by DOL agency for this period:

SUMMARY OF INVESTIGATIVE ACTIVITY
April 1 - September 30, 1981

<u>Agency</u>	<u>Cases Opened</u>	<u>Cases Closed</u>	<u>Individuals Indicted</u>	<u>Individuals Convicted</u>
Labor Statistics	3	-	-	-
Employment Standards	128	115	19	15
Employment Training	96	142	16	11
International Labor Affairs	-	1	-	-
Labor-Management Services	4	2	-	-
Mine Safety and Health	6	9	15	4
Administration and Management	2	4	-	-
Occupational Safety and Health	11	18	-	-
Office of the Secretary	3	1	-	-
Solicitor	5	2	-	-
Other	<u>2</u>	<u>2</u>	<u>-</u>	<u>-</u>
TOTALS	270	303	50	30

Examples of some of our most significant investigations follow.

Employment Standards Administration

- An Office of Workers' Compensation Programs bill payer in Washington, D.C., was indicted in July 1981 on charges of defrauding OWCP of approximately \$52,000. She was previously convicted for issuing 65 fraudulent checks from OWCP. Her husband was subsequently indicted in Baltimore, Maryland, on 12 counts of aiding and abetting the theft of government property. (United States v. Linda Moore, United States v. Sterling Moore, District of Columbia)
- A postal worker who reportedly injured her back in 1974 by slipping on a rubber band and who had received over \$77,000 in FECA benefits was indicted in September 1981. This is a significant case for FECA because the indictment was based on disproving the claim of injury, rather than the more common indictment of giving false information. Our investigation disclosed that the defendant was attending San Francisco State University during the period of the claim and had received a grade of A in tennis. (United States v. Dorothy Carr, Northern District of California)
- A joint OIG-Secret Service probe has resulted in the indictment in July 1981 of a DOL employee in Seattle, Washington, who was charged with stealing \$30,000 in

compensation checks from OWCP. The defendant resigned shortly after the investigation began and is scheduled for trial in October. (United States v. Frederick Smith, Western District of Washington)

Employment and Training Administration

- A Trade Readjustment Act claimant in Boston, Massachusetts, was found to have been gainfully employed at the same time he had received about \$9,000 in benefits. He has agreed to plead guilty to a one-count indictment and to make full restitution. (United States v. Aldo Stabile, District of Massachusetts)
- As a result of a joint OIG-FBI investigation, the former executive director of the Community Regional Opportunity Program in Chicopee, Massachusetts, was sentenced in September 1981 to one year in prison, two years probation, and ordered to make restitution of \$7,650 by a U.S. District Court in Springfield. The man had converted more than \$12,000 in CETA funds to his own use by carrying "no-show" employees on the payroll. He had also extorted about \$1,500 from the CETA-paid secretary by requiring weekly kickbacks from her salary to keep her job. (United States v. John L. Czelusniak, District of Massachusetts)

- A former deputy director of Americans for Indian Futures and Traditions was sentenced in September 1981 in San Diego, California, to ten years in prison for embezzling over \$24,000 in CETA funds. (United States v. William Givens, Southern District of California)
- A joint investigation by OIG, the FBI, and the U.S. Attorney's office in Newark, New Jersey, into allegations of CETA abuses involving possible kickbacks, double billing, and mismanagement, has resulted in nine indictments against nine defendants who have plead guilty to felony and misdemeanor counts. (United States v. Paul Peacock, United States v. Brewer Brunson, United States v. Ethel M. Searles, United States v. Matthew Ballister, United States v. Joseph R. Caldwell, United States v. Arthur Fladger, United States v. Renee Starks, United States v. Robert J. Stover, United States v. Ernest Seald, District of New Jersey)
- A CETA participant was indicted in Denver, Colorado, for making false statements and subsequently plead guilty to charges of obstructing an investigation. Based on a report from the CETA prime sponsor that a participant was holding outside employment, the investigation confirmed that the participant worked nights at a local plant where he earned

from \$11,000 to \$16,000 a year while receiving CETA wages and supportive services exceeding \$9,500. (United States v. Alvin J. Sais, District of Colorado)

- A joint investigation with the U. S. Department of Agriculture OIG has resulted in the indictments and sentencing of a man and woman who operated a day care center that was a CETA subgrantee. They plead guilty to conspiracy, embezzlement of CETA funds, and making false statements. In April 1981, the woman was sentenced to five years on each count. Sentence was suspended and she was placed on probation for three years; also, she will not be allowed to participate in any state or federal programs and she must perform 16 hours community service per month. Imposition of sentence on the man was suspended, and he was placed on three years probation. (United States v. Fannie Triplett and Calvin Triplett, Northern District of Mississippi)
- Four officials of the Tribal American Consulting Corporation in Los Angeles, California, were indicted in August 1981 on charges of conspiring to defraud and embezzle the government of \$68,000 in CETA funds. The investigation, based on a Questionable Activities Report of October 1978 from a former bookkeeper, disclosed that DOL money was used to pay for personal expenses, first-class air trips to Mexico, and a 1978 Porsche. (United States v. Sandy E. Gibbs et al., Central District of California)

- ETA has instructed King-Snohomish Manpower Consortium in Seattle, Washington, a prime sponsor, to recover CETA funds from the Operation Improvement Foundation (OIF). An OIG investigation, based on the prime sponsor's allegations, established that OIF had overbilled CETA \$9,625 for building space, had used \$16,000 in CETA funds budgeted for rent to make unauthorized repairs to the buildings, and had earned \$53,000 by renting several facilities in the building, placing the money in a special account and not reporting this as program income.
- A regional director of the Veterans Employment Service in San Francisco, California, entered a guilty plea to conflict of interest charges filed in the U.S. District Court, Washington, D.C., and was subsequently removed from his official position with the Department. At the time of the offense, the employee was the government's authorized representative on several contracts, including three totaling \$21,000 in which he had a "kick-back" arrangement.

Mine Safety and Health Administration

- In April 1981, the president of Tazco, Inc., a former MSHA coal mine inspection supervisor, was indicted in Roanoke, Virginia, on charges of conspiracy, conflict of interest, and

filing false statements. He owned, operated and supervised inspection of the Tazco Coal Company while employed by MSHA. He plead guilty to one count each of conflict of interest and filing false statements, and received a three-year suspended sentence, was fined \$7,500, and placed on three years probation. (United States v. Paul Merrit et al., Western District of Virginia)

Occupational Safety and Health Administration

- An investigation of an OIG hotline complaint confirmed that the area director in an OSHA office ordered the timekeeper to submit an amended false time card for him for a pay period in January 1981. Federal prosecution was declined and an Investigative Memorandum was sent to OSHA authorities. Effective July 13, 1981, the area director was removed from the federal service.

OFFICE OF AUDIT

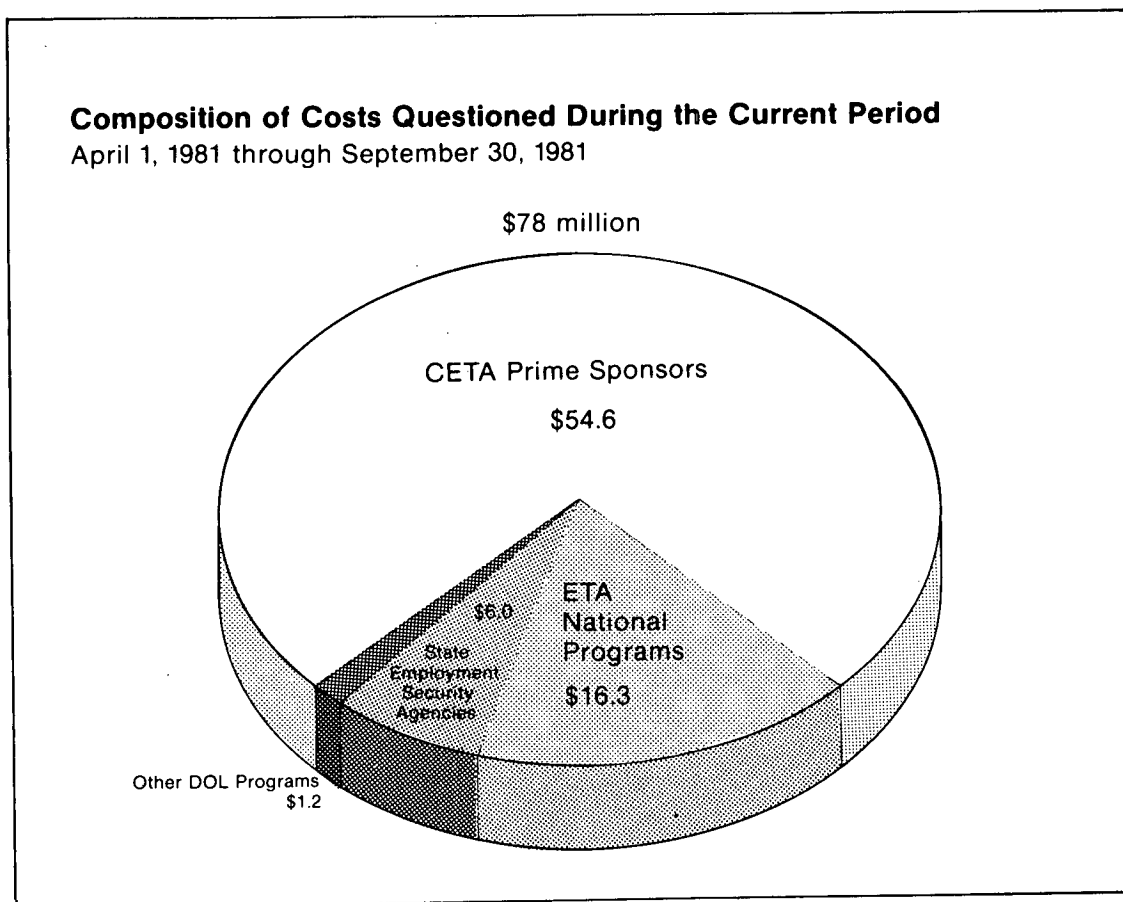
During this reporting period, 250 audit reports were issued on DOL programs. Many of these reports outline deficiencies in contractor and grantee operations. The audits were performed by OIG auditors, state and local auditors, and CPA contractors. The table below summarizes our audit activity by program area.

SUMMARY OF AUDIT ACTIVITY April 1 - September 30, 1981

<u>Agency</u>	<u>Reports Issued</u>	<u>Amount of Exceptions¹</u>	<u>Grant/Contract Amount Audited</u>
ETA	223	\$76,903,144	\$4,459,770,060
OSHA	17	658,664	42,557,432
MSHA	8	518,833	4,186,422
OASAM	<u>2</u>	<u>-</u>	<u>325,460</u>
TOTALS	250	\$78,080,641	\$4,506,839,374

¹ Throughout this report, audit exceptions include both questioned costs and costs recommended for disallowance. Questioned costs are expenditures without sufficient documentary evidence for the auditor to make a conclusion on allowability. Costs recommended for disallowance are expenditures that the auditor judges, based on available evidence, to be unauthorized under the terms of the grant or contract.

The following chart provides another picture of the composition of costs questioned, and it is followed by discussion of the major activities by program.



Employment and Training Administration

CETA Prime Sponsors

We issued 133 audit reports on CETA prime sponsors. Of \$2.2 billion audited, \$55 million in grant funds was questioned due to lack of documentation for expenditures or non-compliance with CETA

requirements. Following is a list of audit exceptions, the number of reports containing those exceptions, and the amount of audit exceptions:

<u>Audit Exception</u>	<u>Number of Reports With Exceptions</u>	<u>Amount of Exceptions</u>
Ineligible participants	84	\$20,314,856
Unresolved subgrantee audits	96	17,392,187
Insufficient documentation	50	4,208,026
Unallowable expenditures	44	1,166,463
Cost limitations exceeded	36	3,659,220
Improper allocation of costs	17	4,735,766
Inaccurate financial reports	18	1,370,556
Other	45	<u>1,786,315</u>
TOTAL		\$54,633,389

Four reports are described below to illustrate the types of audits conducted and the findings identified during the reporting period.

● Alaska Balance of State²

The amount audited for the 27-month period ending September 30, 1979, was \$32.8 million. We questioned \$261,000.

² A balance of state prime sponsor covers those entities in a state that, by themselves, are too small to qualify as a prime sponsor.

We reported that:

- Costs reported to DOL exceeded amounts recorded in the state's official accounting records by \$42,000;
- the state had erred in allowing \$9,000 of subgrantee questioned costs pertaining to nepotism and excess salary payments; and
- the state had not recovered \$210,000 of questioned costs that had been disallowed.

● Hawaii Balance of State

We audited \$12 million covering a three-year period ending September 30, 1979. We questioned \$206,000. The prime sponsor failed to meet minimum training requirements for Public Service Employment programs, resulting in \$181,000 in questioned costs. Also, for audits of subgrantees, \$14,000 was charged to the grants; however, no audit reports were issued. Earlier subgrantee audits contained \$10,000 that had not been resolved at the time of our audit.

● County of Ventura, California

Unlike most audits of prime sponsors, which cover one or two years, this audit covered five years--August 1974 to the end of September 1979. The county received \$57.4 million from CETA over the five-year period and the auditors questioned \$771,866 and recommended \$553,423 for disallowance.

The report identified deficiencies that included:

- Lack of documentation to support expenditures,
- failure to reconcile grantee cash records to what was reported to DOL,
- lack of an approved interest cost allocation plan,
- failure to refund \$21,618 of interest earned on money received from DOL, and
- failure to maintain current property records for fixed assets.

A conclusive statement on the county's internal control system was that a clear audit trail from financial reports to support documents was lacking, and extensive reconstruction of accounting records was necessary before costs could be presented in report format.

An accounting system, with the shortcomings described in this report, fails to provide management with accurate reports and makes it possible to commit an error and not detect it easily.

● Mercer County, New Jersey

For the 21-month period covered by this audit, we recommended that \$89,209 of the \$9.9 million audited be disallowed.

Many of the disallowed costs resulted from failures in the grantee's financial management system, which needs strengthening and is vulnerable to other abuses.

We reported that:

- Excessive wage payments to participants resulted in disallowed costs of \$21,184;
- costs reported to the Federal Government exceeded the incurred costs by \$34,870;
- of 100 participant records selected for sampling, 20 were missing, resulting in questioned costs of \$15,897;
- of 100 randomly selected wage payments, 64 were made without supporting attendance records (the grantee had relied on telephone information from the work sites) resulting in disallowed costs of \$7,102; and
- lack of a system to resolve subgrant audit findings resulted in disallowed costs of \$8,391.

Until Mercer County develops better financial and internal controls over its CETA program, DOL has no assurances that such deficiencies will not recur.

Indian and Native American Grantees

During this reporting period, 22 audit reports covering Indian and Native American programs were issued. Certified public accounting

firms performing the work, under contract with DOL, collectively audited \$14.4 million of which \$70,509 was recommended for disallowance and \$155,014 was classified as questionable. Costs recommended for disallowance primarily resulted from ineligible participants (\$32,695) and lack of approved indirect cost allocation plans or other documentation to support the allocation of indirect costs (\$23,039). Costs classified as questionable primarily resulted from the following:

- Questionable participant eligibility (\$53,782);
- lack of DOL approvals or improper charges to the grant program (\$33,500);
- improper procurement procedures (\$37,633); and
- lack of supporting documentation (\$12,530).

Also, these reports include 57 procedural findings, detailing deficiencies in the grantees' administration of the program.

Of the 22 reports, 19 include findings that disclose deficiencies in the grantees' financial management systems. The financial management system of the United Urban Indian Club, Inc. was seriously deficient and the CPA firm disclaimed an opinion on the financial statements. Its system was not designed to provide accurate, current, and complete disclosure of financial transactions. A general ledger or journal was not maintained at any time during Fiscal Year 1979. Lack of a general ledger or

journal precludes any assurance that grant activities were properly accounted for and precludes adequate disclosure of assets and liabilities. We recommended that the grantees' accounting systems be reviewed during monitoring visits by ETA Federal Representatives.

Migrant and Seasonal Farmworker Grantees

During this reporting period, 13 financial and compliance and two indirect cost reports were issued on Migrant and Seasonal Farmworkers Grantees. The total amount audited was \$58.7 million of which \$1.8 million was recommended for disallowance and \$6.9 million classified as questionable. Costs were recommended for disallowance primarily because of:

- Improper contracting and procurement (\$1,000,000),
- excessive administrative costs (\$218,000),
- insufficient documentation (\$180,000), and
- unresolved prior audit findings (\$147,000).

The main reasons for the questionable costs were:

- Improper or unsupported allocation of costs (\$4,700,000),
- insufficient documentation (\$781,000),
- ineligible participants (\$646,000), and
- improper contracting and procurement (\$207,000).

- An audit of the National Farmworkers' Service Center in Keene, California, disclosed that the grantee had an

inadequate financial management system. This grantee was awarded two DOL grants for a total of \$804,786. Incurred costs were \$706,504 of which \$259,104 was questioned mainly because of participants' ineligibility. Some ineligible participants were not U.S. citizens or registered aliens. Other reasons for the questioned costs were inadequate supporting documentation, excessive administrative charges, lack of required DOL approvals, and duplicate charges.

- An audit report on the Center for Employment Training in San Jose, California, questioned \$3.5 million of \$7.4 million of audited costs. Most of these costs were questioned because the method used for the allocation of indirect and joint costs was unsupported by reasonable documentation. Other causes were inadequate supporting documentation, lack of required DOL approvals, undocumented participant eligibility, and improper procurement procedures.

The auditors' opinion states that the grantee's reported financial information was not presented fairly. Specifically, the auditors found deficiencies in the grantee's accounting system, indirect and joint cost allocation plans, participant eligibility determination system, payroll and personnel records, and monitoring and evaluation of subgrantees.

Job Corps and Civilian Conservation Center Reviews

During this reporting period, 14 audit reports and one indirect cost report were issued. These financial and compliance audits covered \$52 million in expenditures, of which we took exception to almost \$7 million. The reports note accounting system deficiencies, insufficient documentation to support claimed costs, and inadequate procurement procedures. The types and amounts of audit exceptions are listed below:

<u>Audit Exception</u>	<u>Number of Reports With Exceptions</u>	<u>Amount of Exceptions</u>
Undocumented approvals for capital improvements	10	\$4,842,814
Inaccurate financial reports	12	1,669,511
Inadequate procurement procedures	10	94,505
Budget exceeded	6	44,178
Undocumented approvals for training projects	5	277,963
Insufficient documentation	2	<u>66,905</u>
TOTAL		\$6,995,876

Due to these exceptions, we recommended that accounting controls and record retention procedures be strengthened.

Office of National Programs

During this period, 28 audit reports were issued on ONP grants and contracts awarded to public and private agencies. These awards totaled over \$4 million. Three of the audit reports contained exceptions totaling \$26,000 of which \$17,000 was attributable to insufficient documentation, \$7,000 for exceeding grant/contract budgets, and \$2,000 for participant ineligibility.

State Employment Security Agencies

Six audit reports were issued on SESA's during this reporting period. Of \$2 billion audited, \$5.9 million was questioned mainly because one grantee failed to equate cash with expenditures for closed fund ledgers. The other questioned costs related to insufficient documentation.

o A financial and compliance review was performed of the administrative funds of the Office of Employment Security, Commonwealth of Pennsylvania. In addition, OIG reviewed supporting summary records pertaining to federal unemployment benefits and allowances.

The audit related to \$667 million of federal funds, of which exceptions totaling \$5.7 million were noted. The most significant exception noted was attributed to the grantee's

failure to equate cash with expenditures for closed fund ledgers. As a result, the grantee had overdrawn \$2.3 million of federal funds. Also, because of insufficient documentation to support cost appropriation transfers, \$1.5 million was questioned.

As a result of these findings, we have recommended that the grantee refund \$3.8 million to ETA.

- We audited the security of computer-based systems of the State of Georgia Employment Security Agency (GESA), and found several deficiencies. The operating system and many application data systems could suffer from unauthorized modification or destruction. Specifically, access controls were lacking for the operating system, program library and data files, applications systems, teleprocessing system, and computer operations. In addition, the quality control, or internal audit program, was weak. For instance, there was no on-going program to independently review operations, security policies and guidelines were lacking, procedures to detect fictitious employers had not been adequately implemented, and agency-wide procedures for updating and accessing files were lacking.

We recommended several changes in policies and procedures to upgrade the security of GESA's systems. GESA responded favorably and plans to implement the following:

- Procedures to control access to the operating system, program libraries and data files, application systems, and teleprocessing system;
- formal standards or procedures for design of application systems;
- programs to allow security violation reporting to user management; and
- procedures to improve entry controls over access to the computer room and other physical security plans.

In addition, GESA is seeking additional funds to implement our recommendations in the following areas:

- Standards and procedures for documentation of all grantee systems and design of application system programs,
- ADP policies and guidelines for internal controls in GESA,
- an internal audit unit, and
- prior recommendations in our audit report entitled "Audit of Unemployment Insurance Benefit Payment Controls."

Mine Safety and Health Administration

Eight financial and compliance audit reports of MSHA grants to states totaling \$4.2 million were issued this reporting period.

Five of these reports contained audit exceptions totaling \$518,000 of which insufficient documentation was the most significant exception noted as shown below:

<u>Audit Exception</u>	<u>Number of Reports With Exceptions</u>	<u>Amount of Exceptions</u>
Insufficient documentation	6	\$439,901
Improper allocation of administrative costs	2	<u>78,932</u>
TOTAL		\$518,833

Occupational Safety and Health Administration

During this reporting period, 17 audit reports were issued on OSHA grants to states totaling \$45.5 million. Audit exceptions totaling \$659,000 were noted in seven of the audits; of this amount, \$519,000 was attributable to one grantee that did not have an approved indirect cost rate.

The following table summarizes the exceptions noted:

<u>Audit Exception</u>	<u>Number of Reports With Exceptions</u>	<u>Amount of Exceptions</u>
No indirect cost rate	4	\$605,389
Insufficient documentation	3	14,325
Unallowable assessments and penalties	2	13,877
Budget exceeded	1	12,187
Unreported/understated income	1	10,785
Costs charged to wrong period	2	<u>2,101</u>
TOTAL		\$658,664

Office of the Assistant Secretary for Administration and Management

Two reports were issued on OASAM contracts for technical assistance studies on the impact of proposed safety and health standards totaling \$96,000. No exceptions were noted in either report.

OFFICE OF LOSS ANALYSIS AND PREVENTION

Between April 1 and September 30, 1981, four final loss prevention reports were issued. These studies were undertaken to identify major systemic vulnerabilities to waste, fraud and abuse and to recommend corrective actions.

- Black Lung Loss Vulnerability Study

As the first phase of a two segment analysis of the Black Lung Program, this study focused on loss vulnerabilities in claims processing and compensation payment procedures to former miners disabled from pneumoconiosis (black lung).

The study included an evaluation of the legislation and regulations, as well as procedures and processes related to bill and claims payment. This report identified 40 areas of vulnerability within payment system operations and proposed corrective actions for each of the areas. The major recommendations in this study included an integrated ADP system and improved screening, control, verification and offset procedures.

- Black Lung Automated Payment Systems Loss Assessment

The purposes of the second Black Lung Program study were to assess historical and continuing resource loss from automated payment processes, identify weaknesses in the program's automated systems,

and to recommend corrective actions designed to reduce future loss and to provide for the early detection of losses which may occur. The study identified an estimated \$36 million in unrecovered overpayments; \$44 million in improper payments made between 1973 and 1980; and a number of computer system and internal control weaknesses. Among our recommendations, we proposed a number of computer system modifications; that action be taken to eliminate continuing overpayments and to recover documented historical overpayments; re-validation of payment records; and implementation of improved fiscal systems and controls.

- Loss Vulnerability Assessment of FECA Benefit Payment Program Operations in Six District Offices

In September 1981, a report was issued on our loss vulnerability assessment of six district offices of the Division of Federal Employees Compensation, Office of Worker's Compensation Programs, ESA. Our assessment covered the bill payment, claims processing, manual compensation payment, mail and file operations and computer security for six offices responsible for receiving, examining, adjudicating and paying claims filed under FECA. This study represented an expansion of an earlier study conducted in District Office 25 in Washington, D.C.

The assessment was conducted over a three-month period and involved an on-site review of operational procedures. Interviews

were conducted with district office personnel, work flow was tracked and monitored and a computer security survey was conducted.

As a result of this analysis, we concluded that there are a number of procedural controls within the FECA benefits payments program that, if adhered to, can limit the susceptibility of the program to loss through internal and external fraud and abuse. We found a general lack of security consciousness among FECA district office staff and little evidence of the implementation of recommendations made previously in our District Office 25 study. Thirty specific findings were identified and corrective actions were proposed for each area.

- CETA Eligibility Determination and Verification Systems

Past OIG audits and investigations have very frequently identified participant ineligibility as a major problem. In this study, we attempted to address this problem from a systemic point of view. The purposes of the study were:

- To review and evaluate the eligibility determination and verification systems utilized by five selected CETA prime sponsors;
- to identify aspects of the screening systems studied that appear to be highly effective and may warrant consideration for replication or adaptation by other CETA prime sponsors; and

- to identify aspects of the screening procedures surveyed that appear to be ineffective and may warrant consideration for discontinuation or modification.

Although we found a number of practices that tended to characterize the more effective prime sponsors, these practices were not related to the screening process, but more to management support and direction. The conclusion of this study documents the belief of many seasoned CETA specialists that -- except for strong and diligent program management -- there do not appear to be clearly identifiable screening techniques, or combinations of techniques, that can serve as replicable "model" eligibility programs for all CETA prime sponsors.

Our study did make a number of recommendations in the areas of training, pre-enrollment documentation, thirty-day reviews, quarterly eligibility verifications and Independent Monitoring Units.

In addition to the reports described above, we issued the following draft report to ETA:

- Loss Vulnerability Assessment of Unemployment Insurance Benefit Payment Systems and Operations

This review encompassed operations of the central office and selected local offices in seven states, representative in terms of

payment procedures, employer reporting procedures, unemployment rate and stress rate (increase of unemployment rate in Fiscal Year 1980 over Fiscal Year 1979).

The primary objectives of the study were to analyze select UI benefit payment systems and operations, to identify loss vulnerabilities, and to recommend appropriate counter-measures to eliminate or minimize the potential losses that could result from systemic weaknesses.

Although the Department of Labor and the states have instituted a number of positive controls to deter fraud and abuse by claimants, employers and UI employees, it is apparent from our review that weaknesses still exist within the individual state programs in the areas of computer and terminal security, payments (specifically, pay order card processing), and check and cash control, particularly as it relates to mailroom operations.

Additional findings were presented in the areas of employer tax, benefit payment control units, data entry, and building security. Although the analysis involved a limited sample of state systems, it is believed that many of the findings and recommendations may be used by other states to assess their current procedures and operations.

Finally, agency comments were received on a report issued in a prior reporting period.

- Migrant Farmworker Housing Conditions

In the study, we reviewed migrant farmworker housing conditions in selected areas of Maryland, Virginia and North Carolina. We found poor conditions in 33 of 72 migrant camps visited and fair conditions in another 17. We also found lack of coordination between the three DOL agencies responsible for migrant conditions (ETA, ESA and OSHA), conflicting housing standards, and disproportionate inspection coverage of migrant employers utilizing the Employment Service for this labor supply.

We recommended that the responsibility for actual inspection of migrant housing conditions be assigned solely to OSHA, that unified migrant housing regulations be established, and that the agencies involved with various aspects of the migrant program improve coordination with each other.

The agencies agreed that there was a need for better coordination. They believed, however, that the responsibilities traditionally assigned to the separate agencies should not be eliminated. Actions taken to date by the affected agencies should remedy most of the problems relating to coordination and uniform standards.

OFFICE OF ORGANIZED CRIME AND RACKETEERING

During the period of April 1 through September 30, 1981, the Office of Organized Crime and Racketeering opened 42 cases. Of these, 19 were referred to the Department of Justice, or other authorities for possible prosecution.

There were 27 indictments involving 64 individuals during this reporting period; 25 individuals were convicted, and the remaining defendants are awaiting trial.

Some examples of cases follow.

- An OIG investigation lead to a 50-count indictment in August 1981 against three officials of the Allied International Union of Security Guards and Special Police and the Federation of Special Police and Law Enforcement Officers, charging them with bribery, obstruction of justice, embezzlement, and a state arson offense.

Daniel Cunningham, president of the union, attempted to obstruct OIG's investigation of embezzlement by offering one agent a \$25,000 bribe and paying another agent \$2,600 to stop the investigation. He also plotted to have his DOL investigative file stolen and the OIG office burned down. His negotiations with the agents were taped by OIG. He additionally attempted to influence the testimony of two

government witnesses through threats and bribes and burned down his union office to destroy union records subpoenaed by the grand jury. (United States v. Daniel Cunningham, Herman Jaffe, and Salvatore Ponte, Eastern District of New York)

- Following an OIG investigation, Robert A. Lins, a former president of Teamsters Local 299, International Brotherhood of Teamsters in Detroit, and two current officials of the local were indicted in August 1981 on charges of embezzlement of union funds, conspiracy to embezzle union funds, and obstruction of a grand jury witness. The indictment specifically charged the defendants with conspiring to embezzle the funds of Teamsters Local 299 and converting those funds to their own use and the use of others. Further charges are that the defendants granted and caused to be granted pay raises for the business agents of local 299 and that the defendants collected and caused to be collected funds from the business agents of local 299 from 1978 to 1980 for the purpose of financing their election campaign. (Local 299 is Michigan's largest Teamster local and is nationally known, having been the home local of former general presidents James R. Hoffa and Frank E. Fitzsimmons.) (United States v. Robert A. Lins, Raymond H. Banks, and Eugene Davis, Eastern District of Michigan)

- The investigation by OIG and the New York State Police lead to charges against Richard Vaccaro, business manager since 1954 of Laborers Local 333 in Syracuse, New York, of embezzlement of union funds and mail fraud. He plead guilty to these charges and the plea was entered in satisfaction of all possible charges against him relating to embezzlement of union funds by skimming dues payments, double billing for travel and convention expenses, and having the union pay for his personal expenses. The amount embezzled totaled approximately \$20,000. The investigation also uncovered evidence that Vaccaro forced union members to work for nothing on the construction of a \$200,000 residence he built near Syracuse. (United States v. Richard Vaccaro, Eastern District of New York)
- In the continuing investigation by OIG, local law enforcement, and the IRS into organized crime's more than one half century of influence in the Fulton Fish Market, the latest results are an 167-count indictment of eight individuals. Three officials of the United Seafood Workers Local 359 and its associated employee benefit plans (one an alleged high-level member of an organized crime family) who control and dominate the local and its employee benefit plans, are included in the indictment. Charges include receiving approximately \$700,000 from businesses in the

Fulton Fish Market through extortion and prohibited employer payments. The five businesspersons were charged with extorting money from firms in the market and providing the proceeds to the union officials. (United States v. Carmine Romano et al., Southern District of New York)

- Louis Sanzo, president of local 29, Blasters, Drillrunners and Miners Union, was convicted on charges of tax evasion and conspiracy to commit tax evasion. The charges relate to his receipt of over \$200,000 from a construction company. He was found innocent of racketeering charges. Amadio Petito, secretary-treasurer of the local was convicted of criminal contempt and perjury before the grand jury. Samuel Cavalieri, Sr., was also convicted of criminal contempt. Thomas Mancuso, alleged high-level organized crime member, was also found guilty of contempt, but died of natural causes before sentencing. (Based on evidence presented to him, the District Court Judge found that Cavalieri was a member of the Luchese organized crime family under the leadership of Antonio "Tony Ducks" Corallo and that Sanzo and Petito were associated with organized crime figures.) The IRS entered the case after OIG developed evidence of income tax evasion. (United States v. Louis Sanzo, United States v. Amadio Petito, United States v. Samuel Cavalieri, Sr., United States v. Thomas Mancuso, Eastern District of New York)

- William Koenig, organizer and business representative for local 5, International Brotherhood of Boilermakers, and president of the International Brotherhood of Craftsmen, Professionals, and Allied Trades was indicted on charges of extorting and receiving more than \$30,000 from Long Island businesspersons and with embezzling over \$12,000 in medical plan and welfare fund money. (United States v. William Koenig, Eastern District of New York)
- Following investigations by the FBI and OIG, a grand jury returned a three-count indictment for violating the Racketeer Influenced Corrupt Organizations (RICO) statute against Harry Gross, a local 282 International Brotherhood of Teamsters business agent, including charges that he obtained a "no-show" job for his chauffeur from a construction corporation, received two cars worth a total of \$19,000 from two excavation companies, and extorted \$2,500 from another construction corporation. (United States v. Harry Gross, Eastern District of New York)
- A special grand jury in September 1981 indicted John P. Duff, international vice president of the Distillery, Wine, and Allied Workers International Union headquartered in Englewood, New Jersey, and also a salaried official of three Chicago local unions, and Howard J. Hansen, president of

local 3, of embezzling over \$100,000 from local 3 in Chicago and local 42 in Detroit, Michigan. Specifically, Duff is charged with embezzling and converting to his own use and the use of others \$94,064 from the two locals; and Hansen is charged with embezzling and converting to his own use and the use of others \$27,192 from the two locals. Duff is also charged with falsifying records of local 3. Amounts charged include unauthorized salary increases, unauthorized year-end checks, unauthorized expense payments, and diversion of local 42 dues check-off money to local 3. (United States v. John P. Duff and Howard J. Hansen, Northern District of Illinois)

- Following a joint FBI and OIG investigation, a federal grand jury in Tucson returned a ten-count indictment of conspiracy to embezzle union funds, embezzlement, and mail fraud against five officials of the Laborers International Union of North America. The indictment dealt with the establishment of a severance fund for officers and business agents of local 479 of Tucson and local 383 of Phoenix without the authorization or knowledge of the membership of either local. The indictment charges that the defendants conspired to take approximately \$350,000 from the locals. Named in the indictment are Mason Warren, international vice president of Laborers and past secretary-treasurer of the Laborers District Council of Arizona; Fred J. Brown, president of the

Arizona AFL-CIO, former business manager of local 479 and president of the District Council; William Soltero, Sr., business manager and secretary-treasurer of local 383 and business manager of the District Council; Ermilio Torres, business manager of local 479 and vice president of the District Council; and Francisco Lozano, secretary-treasurer of local 479 and delegate to the District Council. (United States v. Mason Warren et al., District of Arizona)

- A federal grand jury in New Jersey returned two indictments against Ralph J. Torraco, the principal officer of the accounting firm of Bernard Torraco & Company, accountant for numerous Teamster locals and benefit funds in New Jersey, including the Trucking Employees of New Jersey Pension and Welfare Funds and the Trucking Employees of Passaic and Bergen Welfare and Pension Funds, which are allegedly controlled by family members of Tony Provenzano who is now in prison. Provenzano, an alleged high-level organized crime member, is a former vice president of the International Brotherhood of Teamsters (IBT), former president of IBT Joint Council 73, and former president of IBT Local 560.

Torraco is charged in one indictment with four counts of mail fraud and four counts of embezzlement of benefit fund money. He is charged with embezzling over \$114,000 through a scheme

involving overbilling the funds for audit work and charging salaries of his associates as a fund expense. The second indictment charges Torraco with 11 counts of tax evasion and filing false tax returns arising from his failure to report approximately \$700,000 in income earned from numerous clients during the period 1975-1978.

The IRS joined the OIG investigation of this matter when evidence of tax violations was uncovered. (United States v. Ralph Torraco, District of New Jersey)

- An OIG investigation has resulted in an eight-count grand jury indictment in Camden against Anthony LaMaina, business manager, and James Conover, secretary-treasurer of local 40-B of the International Brotherhood of Law Enforcement and Security Officers. While full-time sworn members of the Atlantic City Police Department, LaMaina and Conover created a union to organize security guards for casinos in Atlantic City. They embezzled \$12,000 from the union by falsifying union meeting minutes, which authorized them to spend money to buy cars and provide salaries and reimbursements for expenses for themselves. LaMaina and Conover are Atlantic City police officers who were allegedly closely associated with the late John McCullough, president of Roofers Union Local 30 and alleged Atlantic City representative for the

late, alleged Philadelphia organized crime boss, Angelo Bruno. (United States v. Anthony LaMaina and James Conover, District of New Jersey)

PART III
OIG COMPLAINT CENTER

During the period of April 1 through September 30, 1981, a total of 982 inquiries and complaints were received by the OIG complaint center from DOL employees, the public, and referrals from the GAO hot line. Of this total, 904 were general inquiries handled by telephone without the center opening an official complaint file.

A total of 78 were considered to merit further action or investigation. Of these, 43 pertained to the Employment and Training Administration, 20 to the Employment Standards Administration, seven to the Occupational Safety and Health Administration, and four to the Mine Safety and Health Administration. Of the 78 complaints, 43 were forwarded for preliminary audit or investigative review within the OIG; the remaining 35 were referred to program agencies for review or administrative action.

During this reporting period, final responses to 183 complaints were received. Many of these involve matters received by the OIG in earlier reporting periods. Of the 183, 31 complaints involved allegations that were substantiated by administrative review or OIG audit or investigative work. These matters are in various stages of criminal or administrative resolution.

PART IV

MONEY OWED TO THE DEPARTMENT OF LABOR

In accordance with a request in the report of the Senate Committee on Appropriations on the Supplemental Appropriation and Rescission Bill of 1980, the following are unaudited estimates provided for the agencies by the Department of the amount of money owed, the amount of money overdue, and the amount written-off as uncollectible during the six-month reporting period:

SUMMARY OF ESTIMATED DEPARTMENT OF LABOR DEBT

Program Name	Estimated Outstanding Receivables 1/ Sept. 30, 1981 (In thousands)	Estimated Delinquen- cies Sept. 30, 1981 (In thousands)	Estimated Adjustments and Write Offs FY 81 2/ (In thousands)
<u>Employment Standards Administration:</u>			
Federal Employees Compensation Act (FECA)			
o overpayments to beneficiaries/providers	\$ 11,600	\$ 1,500	\$ 5,000
Black Lung Program			
o Responsible Mine Operator reimburse- ment and overpay- ments to benefi- ciaries/providers	131,358	131,358	2/
<u>Employment and Training Administration:</u>			
o disallowed cost from auditing or monitoring, outstanding cash balances after contract termina- tion; erroneous over- payments to grantees	124,000	68,000	68,000
<u>Mine Safety and Health Administration:</u>			
o civil penalties from mine operators	9,100	8,600	4,500
<u>Occupational Safety and Health Administration:</u>			
o civil penalties from businesses	22,200	21,900	5,400
<u>Pension Benefit Guaranty Corporation:</u>			
o Terminated plan assets subject to transfer and employer liability	83,240	661	7,405
Totals	\$381,498	\$232,019	\$90,305

1/ As defined by OMB Bulletin No. A1-17, this column includes actual receivables and amounts identified as contingent receivables which are subject to an appeals process which can eliminate or reduce the amounts identified. Official DOL records conform to accepted accounting principles and standards and will differ from these amounts.

2/ Not provided.

3/ Includes write offs of uncollectible receivables and adjustments of contingent receivables as a result of the appeals process.

APPENDIX

Audit Resolution Activity 1/
April 1, 1981 to September 30, 1981

Agency/Program	April 1, 1981		Issued (Increases)		Resolved (Decreases) 3/		September 30, 1981	
	Balance Unresolved Reports	Dollars 2/	Reports	Dollars	Reports	Allowed	Balance Unresolved Reports	Dollars
<u>Employment and Training Administration</u>								
CETA Sponsors								
State and Local Prime Sponsors	178	\$182,923,458	119	\$54,633,389	209	\$131,589,732	88	\$59,056,579
Native American Grantees	222	21,261,666	12	225,523	222	8,097,907	12	225,523
Migrant Grantees	77	14,287,313	13	8,700,244	82	6,283,480	8	5,909,886
Job Corps Contractors	18	4,586,550	14	6,995,876	18	4,267,161	14	6,995,876
National Programs for Older Workers	27	4,536,468	1	2,700	27	1,373,892	1	2,700
Policy, Evaluation & Research Grantees	34	3,317,340	1	16,740	34	2,744,101	1	16,740
Technical Assistance Contractors	-	-	2	337,430	-	-	2	337,430
Other National Programs Grantees	84	6,975,203	1	6,803	84	922,573	1	6,803
Pre-CETA Categorical Grantees	98	27,210,840	-	-	98	25,695,006	-	-
State Employment Security Agencies	34	37,289,015	3	5,984,439	34	16,004,913	3	5,984,439
<u>Occupational Safety & Health Administration</u>								
OSHA Sponsors	13	338,460	7	658,664	15	292,253	5	655,352
<u>Mine Safety & Health Administration</u>								
MSHA Sponsors	-	-	6	518,833	4	107,744	2	394,498
<u>Office of the Assistant Secretary for Administration and Management</u>								
OASAM Contractors	9	210,833	-	-	9	189,497	-	-
Total	794	\$302,937,146	179	\$78,080,641	836	\$197,568,259	137	\$79,585,826

1/ This table does not include internal, ADP, or any other reports issued which did not question or recommend for disallowance any costs.

2/ "Dollars" signifies both questioned costs (costs that are inadequately documented or that require the grant officer's interpretation regarding allowability) and costs recommended for disallowance (costs that are in violation of law or regulatory requirements).

3/ Audit resolution occurs when a final determination for each audit finding has been issued by the grant officer and accepted by the Office of Inspector General. Thus, this table does not include activity subsequent to the final determination such as: establishing a claim for reimbursement; the appeals process; or the results of the program agency's debt collection efforts.

Status of Unresolved Audits
As of September 30, 1981

<u>Agency/Program</u>	<u>Total Unresolved</u>		<u>0 to 6 Months</u>		<u>Over 6 Months 1/</u>	
	<u>Reports</u>	<u>Dollars</u>	<u>Reports</u>	<u>Dollars</u>	<u>Reports</u>	<u>Dollars</u>
<u>Employment and Training Administration</u>						
CETA Sponsors						
State and Local Prime Sponsors	88	\$59,056,579	81	\$49,439,320	7	\$9,617,259
Native American Grantees	12	225,523	12	225,523	-	-
Migrant Grantees	8	5,909,886	7	5,849,192	1	60,694
Job Corps Contractors	14	6,995,876	14	6,995,876	-	-
National Programs for Older Workers	1	2,700	1	2,700	-	-
Policy, Evaluation & Research Grantees	1	16,740	1	16,740	-	-
Technical Assistance Contractors	2	337,430	2	337,430	-	-
Other National Programs Grantees	1	6,803	1	6,803	-	-
State Employment Security Agencies	3	5,984,439	3	5,984,439	-	-
<u>Occupational Safety & Health Administration</u>						
OSHA/BLS Sponsors	5	655,352	5	655,352	-	-
<u>Mine Safety and Health Administration</u>						
MSHA Sponsors	2	394,498	2	394,498	-	-
<u>Office of the Assistant Secretary for Administration and Management</u>						
OASAM Contractors	-	-	-	-	-	-
Total	137	\$79,585,826	129	\$69,907,873	8	\$9,677,953

- 1/ Unresolved audit reports over 6 months were precluded from resolution for the following reasons:
- Six determinations are pending the conclusion of investigations (\$955,642).
 - Two audit reports are being resolved at the sub-grant level (\$8,722,311).

SUMMARY OF AUDIT REPORTS ISSUED
DURING THE CURRENT REPORTING PERIOD

During the current semiannual reporting period April 1, 1981 to September 30, 1981, we issued 251 audit reports as follows:

DEPARTMENT OF LABOR

Employment and Training Administration

CETA Sponsors:

State and Local Prime Sponsors	133
Native American Grantees	22
Migrant and Seasonal Farmworkers Grantees	15
Job Corps Contractors	15
National Programs for Older Workers	1
Office of Policy, Evaluation and Research Grantees	21
Technical Assistance and Training Contractors	2
Other National Programs Grantees	<u>6</u>

Subtotal 215

State Employment Security Agencies 6

Internal Audits 2

Occupational Safety and Health Administration

OSHA Sponsors 17

Mine Safety and Health Administration

MSHA Sponsors 8

Assistant Secretary for Administration and Management

OASAM Contractors 2

OTHER FEDERAL AGENCIES

Health and Human Services 1

Total 251

LIST OF AUDIT REPORTS ISSUED
APRIL 1, 1981 TO SEPTEMBER 30, 1981

<u>Region 1/</u>	<u>Program 2/</u>	<u>Date Sent To Program Agency</u>	<u>Audit Report Number</u>	<u>Name of Contractor or Grantee</u>
I	PRIME	04/02/81	01-1-007-C-001-008	CITY OF PROVIDENCE
I	PRIME	08/06/81	01-1-011-L-003-019	CITY OF WORCESTER
II	OSHA	09/14/81	02-1-1267-L-016	STATE OF NEW YORK
II	PRIME	04/29/81	02-1-777-C-645	MIDDLESEX CO
II	PRIME	06/03/81	02-1-899-G-125	ONONDAGA CO
II	PRIME	06/04/81	02-1-910-G-128	CITY OF NEW YORK
II	PRIME	08/31/81	02-1-757-L-010	MERCER CO
II	PRIME	09/14/81	02-1-596-L-008	MUN. OF CAROLINA, P.R.
II	PRIME	09/14/81	02-1-846-L-012	CITY OF NEW YORK (YOUTH PROG)
II	PRIME	09/24/81	02-1-597-L-009	CITY OF SAN JUAN
II	PRIME	09/24/81	02-1-758-L-011	CITY OF NEW YORK
II	TAT	09/01/81	02-1-956-L-013	N.J. PRIME SPONSOR DIR ASSN

1/ The Regions are I-Boston; II-New York; III-Philadelphia; IV-Atlanta; V-Chicago; VI-Dallas; VII-Kansas City; VIII-Denver; IX-San Francisco; X-Seattle; and NO-Washington, D.C. National Office.

2/ Indicates name of program audited; PRIME - State and Local CETA Prime Sponsor; SESA - State Employment Security Agency; JOBCP - Job Corps Contractor; OSHA - OSHA Grantee; DINAP - National CETA Native American Programs Grantee; MIGRANT - National CETA Migrant and Seasonal Farmworkers Grantee; ONP - Other National CETA Programs Grantee; OPER - ETA Office of Policy, Evaluation and Research Grantee; NPOW - National Programs for Older Workers Grantee; and I - Indirect Cost Audit.

LIST OF AUDIT REPORTS ISSUED
APRIL 1, 1981 TO SEPTEMBER 30, 1981

<u>Region</u>	<u>Program</u>	<u>Date Sent To Program Agency</u>	<u>Audit Report Number</u>	<u>Name of Contractor or Grantee</u>
III	PRIME	05/11/81	03-1-194-G-020-019	MONTGOMERY CO, PA
III	PRIME	05/13/81	03-0-680-L-005-040	STAMA
III	PRIME	05/28/81	03-1-641-C-418-037	PENINSULA OFF NPWR PGM
III	PRIME	06/09/81	03-1-688-C-423-016	LYCOMING/CLINTON CSRT
III	PRIME	06/12/81	03-1-294-L-001-004	BUCKS CO
III	PRIME	07/09/81	03-1-634-G-212-013	LUZERNE CO
III	PRIME	08/17/81	03-1-739-C-442-036	HENRICO/CHESTERFIELD/HANOVER CSRT
III	PRIME	09/01/81	03-1-678-G-248-031	WESTMORELAND CO
III	PRIME	09/11/81	03-1-696-G-263-014	SCRANTON/LACKAWANNA CSRT
III	PRIME	09/14/81	03-1-699-G-265-032	YORK CO
III	PRIME	09/18/81	03-1-742-G-290-050	MONTGOMERY CO, MD
III	PRIME	09/22/81	03-1-741-C-443-025	SCHUYLKILL/CARBON CSRT
III	PRIME	09/28/81	03-1-698-L-005-046	CITY OF WILMINGTON
III	SESA	05/14/81	03-1-550-L-002	COMMONWEALTH OF PA, WIN
III	SESA	06/30/81	03-1-551-L-003	COMMONWEALTH OF PA, OES
III	SESA	06/30/81	03-1-551-L-003A	COMMONWEALTH OF PA, OES
IV	OSHA	04/14/81	04-1-0778-C-0506-G-0001	SOUTH CAROLINA - DOL
IV	OSHA	04/14/81	04-1-0779-C-0505-G-0001	NORTH CAROLINA - DOL
IV	OSHA	04/14/81	04-1-0780-C-0605-G-0001	NORTH CAROLINA - DOL
IV	OSHA	06/12/81	04-1-0775-C-0507-G-0001	TENNESSEE - DOL
IV	OSHA	06/12/81	04-1-0776-C-0607-G-0001	TENNESSEE - DOL
IV	OSHA	06/12/81	04-1-0784-C-0504-G-0001	MISSISSIPPI - BD OF HEALTH
IV	OSHA	06/12/81	04-1-0785-C-0604-G-0001	MISSISSIPPI - BD OF HEALTH

LIST OF AUDIT REPORTS ISSUED
APRIL 1, 1981 TO SEPTEMBER 30, 1981

<u>Region</u>	<u>Program</u>	<u>Date Sent To Program Agency</u>	<u>Audit Report Number</u>	<u>Name of Contractor or Grantee</u>
IV	PRIME	04/10/81	04-1-0618-C-0039-G-0001	KENTON CO FISCAL COURT
IV	PRIME	04/22/81	04-1-0619-L-0025-G-0001	VOLUSIA CO
IV	PRIME	05/12/81	04-1-0700-L-0013-G-0001	HEARTLAND ETA
IV	PRIME	06/01/81	04-1-0886-C-0009-G-0001	BREVARD CO
IV	PRIME	06/03/81	04-1-0771-C-0051-G-0001	GASTON CO
IV	PRIME	06/03/81	04-1-0777-C-0049-G-0001	CUMBERLAND CO
IV	PRIME	06/05/81	04-1-0781-C-0050-G-0001	CITY OF DURHAM
IV	PRIME	06/05/81	04-1-0915-C-0035-G-0001	SAVANAH/CHATHAM CO CSRT
IV	PRIME	06/09/81	04-1-0916-C-0054-G-0001	WAKE CO
IV	PRIME	06/16/81	04-1-0788-C-0041-G-0001	MISSISSIPPI BOS
IV	PRIME	06/16/81	04-1-0789-C-0003-G-0001	BIRMINGHAM CSRT
IV	PRIME	06/17/81	04-1-0783-C-0058-G-0001	KNOXVILLE/KNOX CSRT
IV	PRIME	06/17/81	04-1-0787-C-0084-G-0001	GULF COAST ETA
IV	PRIME	06/17/81	04-1-0791-C-0006-G-0001	TUSCALOOSA CO
IV	PRIME	06/19/81	04-1-0694-L-0087-G-0001	ROBESON CO
IV	PRIME	06/26/81	04-1-0782-C-0057-G-0001	CITY OF CHATTANOOGA
IV	PRIME	07/01/81	04-1-0917-C-0031-G-0001	COLUMBUS ETA, GA
IV	PRIME	07/06/81	04-1-0786-C-0001-G-0001	AUTAUGA/ELMORE/MONTGOMERY CSRT
IV	PRIME	07/09/81	04-1-0918-C-0019-G-0001	PALM BEACH CO
IV	PRIME	07/21/81	04-1-0921-C-0014-G-0002	LEE CO
IV	PRIME	07/27/81	04-1-0773-C-0037-G-0001	BLUEGRASS ETP
IV	PRIME	07/27/81	04-1-0790-C-0060-G-0001	MEMPHIS/SHELBY CSRT
IV	PRIME	08/19/81	04-1-0605-L-0014-G-0001	LEE CO
IV	PRIME	09/01/81	04-1-0920-C-0085-G-0001	OKALOOSA CO
IV	SESA	04/22/81	04-0-1797-L-0202-G-0001	GEORGIA DOL - UI BENEFITS
V	OSHA	05/01/81	79-017946	MICHIGAN DOL & PUBLIC HEALTH
V	OSHA	05/12/81	79-017878	MICHIGAN DOL & PUBLIC HEALTH

LIST OF AUDIT REPORTS ISSUED
APRIL 1, 1981 TO SEPTEMBER 30, 1981

<u>Region</u>	<u>Date Sent To Program Agency</u>	<u>Program</u>	<u>Audit Report Number</u>	<u>Name of Contractor or Grantee</u>
V	05/18/81	OSHA	80-000432	GOV OFC OF MNPR & HUMAN DEV
V	05/29/81	OSHA	79-017891	WISCONSIN DEPT OF HEALTH
V	04/01/81	PRIME	80-000072	GREENE CO
V	04/03/81	PRIME	79-010578	OUTAGAMIE CO
V	04/07/81	PRIME	79-010195	TOLEDO AREA ETA CSRT
V	04/07/81	PRIME	79-004560	REGION III - CET CSRT
V	04/09/81	PRIME	79-007304	FORT WAYNE CSRT
V	04/16/81	PRIME	80-000320	MONTGOMERY/PREBLE CSRT
V	05/04/81	PRIME	80-000015	COOK CO
V	05/05/81	PRIME	81-000174	COOK CO
V	05/14/81	PRIME	79-011400	RAMSEY CO - CETA
V	05/22/81	PRIME	81-000264	OAKLAND CO (ELIG/ALLOW)
V	05/26/81	PRIME	81-000040	MADISON CO
V	05/29/81	PRIME	80-000217	VIGO CO
V	05/29/81	PRIME	80-000037	SANGAMON/CASS CSRT
V	06/01/81	PRIME	79-000780	CHAMPAIGN CSRT
V	06/01/81	PRIME	79-010027	CITY OF INDIANAPOLIS
V	06/01/81	PRIME	81-000185	LAKE CO
V	06/19/81	PRIME	79-017834	SHAWNEE CSRT
V	06/22/81	PRIME	79-010680	KANE/DEKALB CSRT
V	06/23/81	PRIME	80-000228	S.W. INDIANA CSRT
V	07/17/81	PRIME	80-000026	PORTAGE CO
V	08/10/81	PRIME	81-000297	OAKLAND CO (NPS)
V	08/13/81	PRIME	80-000241	TIPPECANOE CO
V	08/24/81	PRIME	80-000420	RURAL MINNESOTA CEP
V	08/24/81	PRIME	80-000274	CITY OF ANN ARBOR
V	08/24/81	PRIME	81-000163	REG II ETA CSRT
V	08/25/81	PRIME	80-000252	LAPORTE CO
V	08/25/81	PRIME	80-000263	CLARK CO
V	09/15/81	PRIME	80-000230	COLUMBUS/FRANKLIN CSRT

LIST OF AUDIT REPORTS ISSUED
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<u>Region</u>	<u>Program</u>	<u>Date Sent To Program Agency</u>	<u>Audit Report Number</u>	<u>Name of Contractor or Grantee</u>
V	PRIME	09/22/81	79-000431	CITY OF CINCINNATI
V	PRIME	09/24/81	81-000443	OAKLAND CO
V	PRIME	09/28/81	81-000253	CITY OF CLEVELAND (IMU)
V	PRIME	09/29/81	81-000242	EAST ST. LOUIS
V	PRIME	09/09/81	81-000308	COOK CO
VI	PRIME	04/01/81	80-018	GREATER PASADENA CSRT
VI	PRIME	06/10/81	80-378	CITY OF ALBUQUERQUE
VI	PRIME	06/11/81	81-035	TEXARCANA MAMC
VI	PRIME	06/17/81	81-357	OKLAHOMA CO
VI	PRIME	07/02/81	80-395	CENTRAL TEX MNPR CSRT
VI	PRIME	07/31/81	81-373	COMANCHE CO
VI	PRIME	07/31/81	80-374	WEST CENTRAL TEXAS COG
VI	PRIME	08/11/81	81-338	GREATER PASADENA CSRT
VI	PRIME	09/14/81	81-458	WEST CENTRAL TEXAS COG
VI	PRIME	09/30/81	81-379	NEW MEXICO BOS
VII	PRIME	04/09/81	7-1-C-009	JOHNSON/LEVENWORTH CSRT
VII	PRIME	04/10/81	7-1-G-008	WOODBURY CO
VII	PRIME	06/03/81	7-1-L-012	CIRALG
VII	PRIME	06/24/81	7-1-L-013	KANSAS CITY MO CSRT
VII	PRIME	07/14/81	7-1-G-014	BLACKHAWK CO
VII	PRIME	08/20/81	7-1-C-016	JEFFERSON/FRANKLIN CSRT
VII	PRIME	08/27/81	7-1-C-015	ST. LOUIS CO

LIST OF AUDIT REPORTS ISSUED
APRIL 1, 1981 TO SEPTEMBER 30, 1981

<u>Region</u>	<u>Program</u>	<u>Date Sent To Program Agency</u>	<u>Audit Report Number</u>	<u>Name of Contractor or Grantee</u>
VIII	OSHA	05/15/81	81-8-4-23-005	UTAH INDUST COMM
VIII	OSHA	07/09/81	81-8-4-15-009	MONTANA DIV WKRS COMP
VIII	PRIME	04/02/81	81-8-1-48-004	MONTANA CETA
VIII	PRIME	04/10/81	81-8-1-09-001	JEFFERSON CO COMM
VIII	PRIME	06/30/81	81-8-1-14-006	MONTANA - DOL&I
VIII	PRIME	07/17/81	81-8-1-11-008	PUEBLO CO
VIII	PRIME	09/11/81	81-8-1-14-012	MONTANA DOL&I, DES&T
VIII	PRIME	09/21/81	81-8-1-41-013	MINNEHAHA CO
VIII	PRIME	09/28/81	81-8-1-05-014	ARAPAHOE CO
VIII	PRIME	09/29/81	81-8-1-05-015	ARAPAHOE CO
VIII	SESA	09/11/81	81-8-1-13-010	MONTANA DOL&I, DES & T
IX	CETA	04/14/81	09-81-L-201	CETA/PSE REFUNDS
IX	OSHA	08/31/81	09-81-C-501	CALIFORNIA, DIR
IX	PRIME	04/17/81	09-81-L-166-P1	WASHOE CO
IX	PRIME	04/27/81	09-81-L-101-P1	CITY OF TORRANCE
IX	PRIME	05/07/81	09-81-G-071-P1	MERCED CO
IX	PRIME	05/07/81	09-81-G-099-P1	STANISLAUS CO
IX	PRIME	05/25/81	09-81-G-055-P1	CONTRA COSTA CO
IX	PRIME	05/27/81	09-81-G-107-P1	YOLO CO
IX	PRIME	06/09/81	09-81-G-090-P1	STOCKTON/SAN JOAQUIN CSRT

LIST OF AUDIT REPORTS ISSUED
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<u>Region</u>	<u>Program</u>	<u>Date Sent To Program Agency</u>	<u>Audit Report Number</u>	<u>Name of Contractor or Grantee</u>
IX	PRIME	06/18/81	09-81-L-135-P1	HAWAII GOV GRANT
IX	PRIME	06/22/81	09-81-C-083-P1	CITY OF RICHMOND
IX	PRIME	07/15/81	09-81-C-020-P1	MARICOPA CO
IX	PRIME	07/17/81	09-81-L-100-P1	CITY OF SUNNYVALE
IX	PRIME	07/21/81	09-81-L-136-P1	HAWAII BOS
IX	PRIME	07/23/81	09-81-G-103-P1	VENTURA CO
IX	PRIME	08/10/81	09-81-G-108-P1	SACRAMENTO ETA
IX	PRIME	08/19/81	09-81-L-139-P1	PACIFIC TRUST TERRITORIES
IX	PRIME	09/01/81	09-81-F-132-P1	GOV OF GUAM
IX	PRIME	09/17/81	09-81-C-161-P1	LAS VEGAS/CLARK CSRT
IX	PRIME	09/17/81	09-81-C-043-P1	CITY OF BERKELEY
IX	PRIME	09/29/81	09-81-C-137-P1	HONOLULU CITY/CO
IX	PRIME	09/29/81	09-81-C-096-P1	SANTA CLARA VALLEY
IX	PRIME	09/30/81	09-81-G-094-P1	SANTA BARBARA
IX	PRIME	09/30/81	09-81-C-066-P1	KERN CO
IX	SESA	05/04/81	09-81-C-502	CALIFORNIA, ES
IX	TAT	09/09/81	09-81-C-503	OPERATING ENGINEERS
X	OSHA	04/07/81	10-81-S-404-001	WASHINGTON DOL&I
X	OSHA	04/07/81	10-81-S-404-002	WASHINGTON DOL&I
X	PRIME	04/02/81	10-81-L-013-047	MID-WILLAMETTE VALLEY CSRT
X	PRIME	04/13/81	10-81-C-012-039	LANE CO OJT PGM
X	PRIME	04/13/81	10-81-C-012-040	LANE CO PSE ELIGIBILITY
X	PRIME	07/13/81	10-81-C-016-027	JACKSON/JOSEPHINE JOB CNCL

LIST OF AUDIT REPORTS ISSUED
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<u>Region</u>	<u>Program</u>	<u>Date Sent To Program Agency</u>	<u>Audit Report Number</u>	<u>Name of Contractor or Grantee</u>
X	PRIME	07/29/81	10-81-L-029-001	SNOHOMISH CO
X	PRIME	09/25/81	10-81-C-002-003	ALASKA BOS
NO	DINAP	08/20/81	11-1-087-C	PAWNEE TRIBE OF OKLAHOMA
NO	DINAP	08/20/81	11-1-096-C	OSAGE TRIBAL COUNCIL
NO	DINAP	08/20/81	11-1-065-C	OKLAHOMA TRIBAL ASST PGM
NO	DINAP	08/20/81	11-1-089-C	CHEROKEE NAT OKLAHOMA
NO	DINAP	08/20/81	11-1-192-C	AM IND CTR ARKANSAS
NO	DINAP	08/20/81	11-1-074-C	CHEROKEE NAT OKLAHOMA
NO	DINAP	08/20/81	11-1-088-C	CHEROKEE NAT OKLAHOMA
NO	DINAP	08/20/81	11-1-091-C	CHEROKEE NAT OKLAHOMA
NO	DINAP	08/20/81	11-1-085-C	CHEROKEE NAT OKLAHOMA
NO	DINAP	08/20/81	11-1-165-C	MID-AM ALL IND CTR
NO	DINAP	09/30/81	11-1-082-C	SANTEE SIOUX NEBRASKA
NO	DINAP	09/30/81	11-1-145-C	UNITED URBAN IND CLUB
NO	DINAP	09/30/81	11-1-172-C	DALLAS INTER-TRIBAL CTR
NO	DINAP	09/30/81	11-1-161-C	CHICKASAW NAT OF OKLAHOMA
NO	DINAP	09/30/81	11-1-162-C	CHICKASAW NAT OF OKLAHOMA
NO	DINAP	09/30/81	11-1-163-C	CHICKASAW NAT OF OKLAHOMA
NO	DINAP	09/30/81	11-1-081-C	CENTRAL TRIBES SHAWNEE AREA
NO	DINAP	09/30/81	11-1-070-C	UNITED TRIBES KAN & S. NEBRASKA
NO	DINAP	09/30/81	11-1-079-C	NEBRASKA INTER-TRIBAL DEV
NO	DINAP	09/30/81	11-1-147-C	SEMINOLE NAT OF OKLAHOMA
NO	DINAP	09/30/81	11-1-066-C	CREEK NATION OF OKLAHOMA
NO	DINAP	09/30/81	11-1-150-C	FLORIDA GOV CNCL IND AFF
NO	JOBCP	09/30/81	11-1-307-C	ANACONDA JCC
NO	JOBCP	09/30/81	11-1-308-C	ANGELL JCC
NO	JOBCP	09/30/81	11-1-309-C	BLACKWELL JCC

LIST OF AUDIT REPORTS ISSUED
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<u>Region</u>	<u>Program</u>	<u>Date Sent To Program Agency</u>	<u>Audit Report Number</u>	<u>Name of Contractor or Grantee</u>
NO	JOBCP	09/30/81	11-1-310-C	BOXELDER JCC
NO	JOBCP	09/30/81	11-1-311-C	CURLEW JCC
NO	JOBCP	09/30/81	11-1-312-C	FLATWOODS JCC
NO	JOBCP	09/30/81	11-1-313-C	FRENCHBURG JCC
NO	JOBCP	09/30/81	11-1-314-C	GOLCONDA JCC
NO	JOBCP	09/30/81	11-1-315-C	JACOBS CREEK JCC
NO	JOBCP	09/30/81	11-1-316-C	PINE KNOT JCC
NO	JOBCP	09/30/81	11-1-317-C	PINE RIDGE JCC
NO	JOBCP	09/30/81	11-1-318-C	TIMBER LAKE JCC
NO	JOBCP	09/30/81	11-1-319-C	TRAPPER CREEK JCC
NO	JOBCP	09/30/81	11-1-320-C	WOLF CREEK JCC
NO	JOBCP-I	08/28/81	11-1-228-F	RCA SERVICE CO
NO	ONP	04/16/81	11-0-041-C-035	NATL URBAN LEAGUE
NO	ONP-I	04/17/81	11-1-119-F	URBAN & RURAL SYS ASSOC
NO	ONP	05/11/81	11-1-115-F	ILLINOIS STATE UNIV
NO	ONP	07/27/81	11-1-204-C	SER JOBS FOR PROGRESS
NO	ONP-I	07/31/81	11-1-200-C	OSORO & ASSOC
NO	ONP-I	09/25/81	11-1-300-F	A.L. NELLUM ASSOC
NO	OPER-I	04/16/81	11-1-038-F	URBAN & RURAL SYS ASSOC
NO	OPER	04/16/81	11-1-073-F	ST. LOUIS UNIVERISTY
NO	OPER-I	04/16/81	11-1-041-C	URBAN & RURAL SYS ASSOC
NO	OPER	04/16/81	11-1-092-F	UNIVERSITY OF MICHIGAN
NO	OPER	04/17/81	11-1-121-F	CATHOLIC UNIV OF P.R.
NO	OPER-I	04/17/81	11-1-122-F	JUAREZ ASSOC, INC
NO	OPER	05/11/81	11-1-094-F	UNIVERSITY OF WASHINGTON
NO	OPER	05/11/81	11-1-120-F	UNIV OF MINNESOTA
NO	OPER	06/02/81	11-1-153-C	NAT INST PUBLIC MGMT
NO	OPER	06/10/81	11-1-170-F	TEXAS TECH UNIVERSITY

LIST OF AUDIT REPORTS ISSUED
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<u>Region</u>	<u>Program</u>	<u>Date Sent To Program Agency</u>	<u>Audit Report Number</u>	<u>Name of Contractor or Grantee</u>
NO	OPER	06/30/81	11-1-203-F	UNIV OF KANSAS
NO	OPER-I	07/24/81	11-1-202-F	JUAREZ ASSOC, INC
NO	OPER-I	08/20/81	11-1-225-F	CPI ASSOCIATES
NO	OPER	08/20/81	11-1-216-F	UNIV OF UTAH
NO	OPER	08/20/81	11-1-010-C	DIALOGUE SYSTEMS, INC
NO	OPER	08/25/81	11-1-218-F	CALIFORNIA STATE UNIV
NO	OPER	08/25/81	11-1-231-F	CALIF DEPT SOC SERV
NO	OPER	08/25/81	11-1-234-F	SAN FRANCISCO STATE UNIV
NO	OPER	08/26/81	11-1-229-F	HARVARD UNIVERSITY
NO	OPER	08/26/81	11-1-282-F	UNIV OF MINNESOTA
NO	OPER	09/29/81	11-1-299-F	UNIV OF WASHINGTON
NO	MIGRANT	04/13/81	11-0-179-C-133	STATE OF VERMONT
NO	MIGRANT	04/24/81	11-0-178-C-132	NEW ENGLAND FMWK CNCL
NO	MIGRANT-I	05/04/81	11-1-036-C	RURAL AMERICA, INC
NO	MIGRANT	05/12/81	11-1-024-C	MIGRANT & SEAS FMWK ASSN
NO	MIGRANT	05/13/81	11-0-172-C-126	RURAL NY FMWK OPP, INC
NO	MIGRANT	05/14/81	11-9-236-C-183	TENN OPP PGM FOR SEAS FMWK
NO	MIGRANT	05/14/81	11-0-180-C-134	FLA DEPT BD VOCATION DIV
NO	MIGRANT	05/15/81	11-0-075-G	NEBRASKA - DOL
NO	MIGRANT-I	06/18/81	11-1-201-C	RURAL NY FMWK OPP, INC
NO	MIGRANT	07/20/81	11-0-013-C-012	IDAHO MIGRANT COUNCIL
NO	MIGRANT	09/20/81	11-0-168-C-122	COLORADO MIGRANT CNCL
NO	MIGRANT	09/24/81	11-1-306-F	NAT FMWK SER CTR
NO	MIGRANT	09/30/81	11-1-230-C	CTR FOR EMP TRNG
NO	MIGRANT	09/30/81	11-0-154-C-115	PROTEUS ADULT TRNG, INC
NO	MIGRANT	09/30/81	11-0-175-C-129	PROTEUS ADULT TRNG, INC

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<u>Region</u>	<u>Program</u>	<u>Date Sent To Program Agency</u>	<u>Audit Report Number</u>	<u>Name of Contractor or Grantee</u>
NO	MSHA	04/06/81	11-1-060-C	STATE OF WISCONSIN
NO	MSHA	04/16/81	11-1-014-F	STATE OF ILLINOIS
NO	MSHA	04/19/81	11-1-062-C	STATE OF TENNESSEE
NO	MSHA	05/27/81	11-1-011-C	STATE OF ARKANSAS - DOL
NO	MSHA	06/02/81	11-1-004-C	OKLAHOMA DEPT OF MINERALS
NO	MSHA	06/02/81	11-1-019-C	WEST WYOMING COMM COLLEGE
NO	MSHA	06/02/81	11-0-024-C-022	COLO DEPT OF NATURAL RES
NO	MSHA	09/25/81	11-1-297-F	WESTINGHOUSE ELECTRIC CORP
NO	NPOW	09/28/81	11-1-295-F	RHODE ISLAND DEPT OF ELDERLY AFFAIRS
NO	OASAM	08/20/81	11-1-226-F	CONSAD RSCH CORP
NO	OASAM	08/20/81	11-1-224-F	CONSAD RSCH CORP
NO	ETA	09/17/81	DPIA 80-1	GEORGIA SESA - ADP INTERNAL CNTL

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OTHER FEDERAL AGENCIES

<u>Region</u>	<u>Program</u>	<u>Date Sent To Program Agency</u>	<u>Audit Report Number</u>	<u>Name of Contractor or Grantee</u>
NO	HHS	04/14/81	11-0-121-C-097	NAT CNCL SENIOR CITIZENS